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MUTUALISM

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MUTUALISM

A Synthesis

BY

ARTHUR TRAVERS-BORGSTROEM

"A theory of Mutuality which, in virtue of its principle, instead of demanding credit of Capital and protection of the State, places the capital of the State at the disposal of Labour."

PROUDHON.

MACMILLAN AND CO., LIMITED
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INTRODUCTORY

SOME years ago—in 1912, I think it was—I asked a well-known banker, "What would you say if the Emperor of China were to issue an edict to-morrow nationalizing all private banks and insurance companies?"

"I should say," replied my friend, "that in that case the Emperor of China had lived up to his celestial reputation. But I hope to goodness he won't. It would have a demoralizing effect on his neighbours. Seriously, I have myself often thought how immensely simple it would be for the Government to take over the insurance companies."

"Then why not the banks too?" I asked.

"That is of course not quite so simple.—Though why not," he went on briskly, "if the thing were properly managed? I wouldn't mind doing it myself, if they made me boss of the bank of China!"

I have great confidence in the judgment of my banker-friend. So I went my way, and pondered his words in my heart.

Then came the war, and shook us all up and out of our everyday routine, and made straight much that was crooked, and possible much that formerly had seemed impossible. And I was beginning to think over my old idea, when lo! it seemed quite

capable of realization, now that all values were in the melting-pot. After all, why should we not monopolize money, just like tobacco or matches or any other kind of article? Bankers and money-lenders trade in money, just as a tobacconist trades in cigars or a grocer in matches. And since the State, in France and other enlightened countries, has condescended to deal in tobacco and matches and to pocket the profits, why should not the State take up the traffic in money, which combines the dignity of the banker with the gains of the money-lender?

Under the influence of the war and the hard thinking that it engendered amongst all sorts and conditions of men, this vague idea of mine matured and materialized into a definite scheme for monopolizing the traffic in money, and concentrating banking and money-lending in the hands of the Nation. And as banking, after all, is only a part of the traffic in money, so in my humble opinion the State, once embarked upon the policy of financial nationalization, should go further, and nationalize not simply banking and money-lending, as carried on professionally by banks, bankers and money-lenders, but Borrowing and Lending itself, whether as between companies and firms and the public, or in private life, as between man and man. Only thus, it seems to me, could the reform be made really effective and evasion rendered difficult or impossible.

The scheme is an ambitious one, involving as it does the complete nationalization of banking and finance, and the prohibition of private borrowing and lending in all forms and disguises. Let not its comprehensiveness deter the benevolent reader from giving it his consideration. With his sound bourgeois

instinct he will at once scent fire and brimstone, and detect the cloven foot of Socialism beneath it. This is a superficial point of view, however, as he will soon find out. In reality it claims to be a conservative measure and to afford a means of saving individual freedom and property from being engulfed by the rising tide of Social Democracy.

In its practical working the scheme is extremely simple. The State takes over the ready-made organizations of private finance, with assets and liabilities, that is all. In other respects things will go on much as before, and the mass of the people will hardly notice any difference, except in so far as borrowers will find in the State a complaisant creditor, lenders a bed-rock investment. *La haute finance* will of course send up the wail of the plundered. But there is no robbery about it. Present owners and shareholders will not lose their money. Directors and employés will presumably be re-engaged or properly pensioned. And the State will pay a normal rate of interest, very much as the Post Office Savings Banks are doing now.

The administration of the new Monopoly need not be complicated. We have the machinery. The Post Office is already one vast national and international banking and insurance concern.

To complete this scheme of financial nationalization we should include in the monopoly those other functions of modern finance which cannot be directly brought under the general heading of borrowing and lending, such as the cheque system, transfers and giro-transactions, and the whole armoury of stock-brokerage and stock-jobbing — *courtage, agiotage, arbitrage,* or whatever may be the technical denomi-

nations of the international *Bourse.* Insurance follows as a matter of course. Unlike Banking and Stock-jobbing, State Insurance is no new thing. Gottlob von Justi discussed it in the middle of the eighteenth century. The Nationalization of Insurance figured in the plans of Louis Blanc. In Germany Rittinghausen proposed an extension of the idea to the whole German Empire. And in Italy the nationalization of Life Insurance is a legislative fact, although the new law does not come into full operation until 1922.

But these are details. The essential thing is the Nationalization of Borrowing and Lending at a profit, at interest.

Interest has had many vicissitudes throughout the ages. But at no time and in no country has there, to the best of my knowledge, ever existed a real State Monopoly of the same, similar for instance to that of the modern tobacco *régie* in France and elsewhere, or to the scheme here proposed.

Borrowing and Lending, with their concomitants of Interest and Usury, have their origins far back in time. In the beginnings of recorded civilization we find the germs of modern banking and credit. And we may hazard the generalization that for 4,000 years or more the economy of the peoples has in great part been based upon borrowing and lending at interest, at times with the permission or the connivance of the authorities, at times in spite of their interdiction. On the one hand, borrowing and lending, left free in private hands, has led to all kinds of abuses and social evils. On the other hand, it has been found difficult to regulate and impossible to forbid.

The history of Interest is one long *épopée* of the

strife between the spirit and the flesh. Philosophers disapproved of it. The Church Fathers anathematized it. The Canon Law denounced it. But the flesh was weak. "Whole libraries of casuistical treatises were written trying to relax the original Catholic precept, and to reconcile it with the practical requirements of the day." The Mediæval Church looked upon money-lending much as governments have reasoned with regard to prostitution. It cannot be suppressed, ergo it must be tolerated and regulated. The State accepted this attitude.[1]

Not till the French Revolution did a more modern conception of Interest assert itself. Bentham in his celebrated *Defence of Usury* of 1787 and Turgot in his *Mémoire sur le prêt à intérêt* of 1789 exhorted to freedom of interest. *Laissez-faire* had thus made its *début* in this domain also; and with accustomed success. By the middle of the nineteenth century, or thereabouts, "complete freedom of interest was almost universal." The experiment, however, proved a "complete failure." A reaction set in. And the outcome of it all was the Money Lenders Act of 1900 in Great Britain and similar restrictive legislation in other countries.[2]

"A complete failure!" Such then was the upshot of the free interest movement that began so vauntingly with Turgot and Bentham and the advent of liberalism; such the result of 4,000 years of evolution. The interdiction of interest by Church and State had been shown to be impossible; its regulation had proved unsatisfactory; "complete freedom" had

[1] Cf. Sarolea, *Europe's Debt to Russia*, London 1916, p. 176.

[2] Bellot, *Bargains with Moneylenders*, London and Madras 1906, p. 53.

ended in " complete failure." Then why not put an end to all private borrowing and lending at interest, I presume to ask, and do away for ever with a system which for 4,000 years has been tried in the balance, and found wanting? Why not inaugurate a new era, and establish a system of borrowing and lending on the basis of State Monopoly, or Financial Nationalization, a system which has never yet been given a fair trial, and in favour of which can be adduced the most powerful inductive and deductive arguments?

Here my capitalistic, mathematical friend intervened, somewhat sarcastically:

" You have no statistics," he said. " A very safe and comfortable position! Still I think you might have strengthened your historical case with a few modern banking figures.

" Have you, for instance, formed any clear idea of what yearly revenue could reasonably be expected, if the State were to take the place of the present banks, and on the same terms?

" If you are going to pay interest, and live on the modest 2 per cent. margin of the poor interest-paying deposit banker, I fancy you will find no Eldorado. Take over the banks and confine yourself to lending —company promoting and the like—and I will admit that you may make something out of it.

" But mind you, no State-prohibition of borrowing and lending between private persons! Leave that alone. You will only burn your fingers there."

" And leave ourselves to be swamped with private money-lenders?" I returned. " No, I quite see that there is something to be made out of it, if the State monopolizes banking, and pays no interest, issuing so much paper in consideration of banking values

received. As a source of revenue it might be brilliant —for a time. But I don't see how you could keep it going, with private competition allowed."

I am still waiting for an answer from my mathematical friend, and he is probably waiting for mine —which I shall have great pleasure in giving, when Peace gives me an opportunity of getting some typical figures from some typical countries. Such researches are difficult or impossible in the present disorganized state of Europe.

* * * *

The above was written in 1916, while the war was still in the balance.[1] Things dragged on, however, and I was no nearer to my desired statistics. In despair, I resolved to appeal to the economic workers of the world through the medium of an International Competition. I turned to some professorial friends at the University of Berne. They met me half-way, with a quick ear for the seismic rumblings of modernity. And here is the result of our collaboration :

REGULATIONS

FOR THE

INTERNATIONAL COMPETITION OF THE TRAVERS-BORGSTROEM FOUNDATION.

(Prizes instituted at the University of Berne.)

In order to secure the well-regulated execution of the Deed of Foundation, and in agreement with

[1] See *The Triumph of Organization and the Price of It*, by the present author (Dent & Sons, Toronto) ; *Le Triomphe de l'Organisation et ce qu'elle coûte* (Attinger Frères, Paris et Neuchâtel); *Der Triumph der Organisation und Ihr Siegespreis* (Art. Institut Orell Füssli, Zürich.)

Art. 10 of the said deed, the following Regulations have been drawn up:

Article 1. The subject of the international competition, referred to in the Deed of Foundation, is as follows:

"THE NATIONALIZATION OF CREDIT."

"A critical study of the organization of credit in a given country, and proposals for its nationalization."

The competitors are to examine the fiscal and economic advantages which may be expected from such nationalization. Their task will comprise:

A. The elaboration of a general programme for the establishment in a given country of a State monopoly of banking and insurance on a purely commercial basis.

B. The drafting of a law for that particular country, relative to the creation and organization of the above-mentioned monopoly, together with measures providing against any violation of such law.

C. Statistics regarding the present economic and financial conditions of the country in question, compared with those existing prior to the war, and a complete estimate of the necessary expenses for starting the new monopoly and operating the same.

Annexed to these regulations and forming part thereof is a personal statement by the Founder concerning the nature of the competition.

Art. 2. The competition is open to everyone, without distinction of nationality or profession.

Art. 3. The competition will be announced before the 31st of March, 1918, by the Board of Management, established in accordance with Art. 5 of the Deed of Foundation.

The competition shall be made known by circular in all of the countries of Europe and of the British Empire ; of North and South America ; of China and Japan. The special institutions, to be communicated with, are : Universities, Higher Educational Institutions, Academies and Societies of moral, political and economic science, the Ministries and Boards of Finance, of Commerce, of Posts and Telegraphs and of Public Education, the Chambers of Commerce and Industry, the great Insurance companies and the principal Banks and Credit Institutions.

The circular shall contain these present regulations and the personal statement of the Founder.

In order to ensure the greatest publicity to this international competition, announcements will be published in the chief newspapers and reviews of the said countries, in accordance with a pre-arranged programme.

The text of the publications, the lists of addresses and the general programme, as mentioned above, are to be determined upon only after previous agreement between the Board of Management and the Founder.

Art. 4. The essays are to be presented to the Board of Management not later than the 31st of March, 1924. They may be written in English, French, German or Italian, must bear no signature, and be type-written on one side of the paper only. Each essay must be presented in duplicate and bear a motto, chosen by the author, and be accompanied by a sealed letter, marked with the same motto on the envelope, and containing the name and address of the author. These envelopes will be opened immediately after the Jury has rendered its decision.

Any competitor may, however, add a declaration on his envelope to the effect that, in case of non-success, both copies of his essay, as well as the sealed envelope, shall be destroyed.

For the examination of the competing works and the final adjudication of the prizes an international Jury of at least nine members shall be appointed. Eligible are professors of Political Economy, Financial Science and Insurance, as also the Directors and Managers of State Banks, great private Banks, Insurance Companies, Postal Administrations, etc. No State shall be represented by more than one member, with the exception of Switzerland whose representation however must not exceed one-third of the whole. The members of the Jury will be appointed by the Academical Senate of the University of Berne upon the proposal of the Faculty of Law. The list of members will be published as soon as the term fixed for the presentation of the works has expired, whereupon the Jury will immediately enter upon its duties.

Art. 5. The final result of the competition will be published before the close of the year 1924.

Art. 6. The Board of Management may, in agreement with the Founder, postpone the dates for the presentation of the essays and the announcement of the results.

Art. 7. There can be no appeal against the decision of the Jury.

Art. 8. The following prizes will be awarded :

A. Three principal prizes :

First prize :	25,000 frs.
Second prize :	20,000 frs.
Third prize :	10,000 frs.[1]

[1] Swiss francs, of course.

for the three best essays on any country or countries whatsoever, which the Jury may deem of sufficient importance and interest.

B. After the three principal prizes have been awarded, fifteen accessory prizes of three thousand francs each will be distributed for the best essays on any of the following ten countries : Belgium, Finland, France, Germany, Holland, Italy, Japan, Russia, Switzerland, United States of America, or on any country belonging to one of the following 5 groups :

Central and South America ; Austria-Hungary and the Balkans ; the British Empire ; Spain and Portugal ; the Scandinavian States.

A memoir on one or several States belonging to a Federation, on a Dominion or a Colony will likewise be admitted to the competition.

Winners of principal prizes will be excluded, as a matter of course, from the competition for the accessory prizes.

Should there be only one essay on any country or group of countries, the accessory prize intended for that country or group of countries shall be granted to its author, unless the Jury esteem the work of insufficient merit.

Art. 9. The rights of authorship on the prize essays are reserved to their respective authors. In order to enable the latter to make use of their rights, one of the original copies will be returned to them shortly after the close of the competition. The second copy is to remain with the Founder, who shall have the right of using, gratuitously, any passage or passages whatsoever that he may wish to incorporate and publish in a collective study or in a special work of his own, either in the original text or in a translation

of the same, making in every case proper mention of the author's name.

Of the remaining essays one copy will at once be returned to the author. The other copy will be returned only after the lapse of one year. Should the Founder wish to make use of such essay, after the manner stipulated for the prize essays, he must make a special arrangement with the author.

In case of the Founder's decease, all the rights and privileges conferred on him through these Regulations shall pass to the Foundation "Stiftelsen Leon och Alice Borgstroems Minne," in Helsingfors, Finland.

Art. 10. A general report on the result of the competition will be drawn up by the Board of Management and sent to all the institutions which may have received notice of the competition.

This report will be written in one of the languages mentioned in Art. 4, and will be translated into the other three.

Final Dispositions.

Art. 11. The present Regulations may be altered, according to circumstances, by agreement between the Founder and the Board of Management.

Any disagreement which may arise regarding the execution or interpretation of these Regulations shall be settled definitely by a Court of Arbitration, consisting of three members. Of these members one shall be chosen by the University of Berne, one by the Founder, but not belonging to his immediate family, and the third by the other two. In the event of any disagreement as to the third, the choice shall be referred to the President of the Court of Appeal

of Berne, after consultation with the Founder and the University of Berne.

* * * *

Attached to the above Regulations is the following :

"Personal Statement of Founder."

"In a little pamphlet called *The Triumph of Organization and the Price of It* I have set forth in general, and necessarily somewhat vague terms my views on the desirability of nationalizing borrowing and lending at interest. I have done this, not as a socialist, but as a one-time liberal, shaken in his faith during the war by the bankruptcy of so many principles hitherto accepted as immutable.

"This pamphlet was and is intended to be an introduction to a more comprehensive work, entitled *The Nationalization of Credit*, the materials for which I am at present engaged in collecting. In this work I hope to be able to come forward with facts and figures which will serve to convince the most critical of the very considerable revenues that may be made to flow into the State coffers by the institution of a Monopoly such as the one here proposed, not only without putting any extra burden upon the shoulders of the unfortunate tax-payer, but with direct benefit to the Nation in its economic development at home and abroad. At the same time it will be my aim to create, if possible, an international type of financial monopoly, capable of being adapted to the exigencies of every civilized country.

"In these days of disordered communication and war censorship, I have found it a matter of some difficulty to procure the legal texts and complete statistics

which I require from the various countries in question. It has therefore occurred to me that I might further my object by establishing an International Competition on this same subject, "The Nationalization of Credit," which I am proposing to develop later on in my intended work, but treated from a more special point of view, and limited to some particular country, chosen at the discretion of the competitors. Such of these latter as may have the advantage of residing in the country chosen will be in a comparatively favourable position to procure the necessary materials, and to comment upon the same from a local or national point of view. By putting together the essentials of these different national schemes, it will be my ambition to create the international type of which I have made mention above.

"To ensure impartiality, the competition has been placed under the patronage of the University of Berne, which Institution has consented to assume the control of the same and to appoint an International Jury for the examination of the competing essays and the final adjudication of the prizes.

"In an investigation of this kind, it is a primary condition that the works sent in shall give proof of serious and exhaustive inquiry into the subject in question, and embrace a scientific presentation and examination of the same. The competitors are therefore expected to bring forward and analyse all reasonable arguments that can be urged against the proposed Nationalization of Credit.

"It follows, however, from the nature of the competition that the prizes can only be awarded to works in which the policy of nationalizing credit is expressly endorsed. As a further fundamental condition it is

stipulated that the organization and development of the projected State Monopoly shall be planned upon strictly business lines, and safeguarded from all undue political and bureaucratic influence, or philanthropic tendencies.

"How to attain this end is left to the discretion of the competitors. Except in the fundamentals just mentioned, full liberty is given them to develop the subject as they may judge best. It is suggested, however, as one of many alternatives, that the principle of Mutuality might be introduced as a complement to that of Nationalization, and the control of the Monopoly given to the *clientèle*, or to certain categories of the same. Indeed, on approaching the matter with an open mind, and with due regard to the signs of the times, the student might well be struck by the possibilities of this economic co-operation between the State and the Individual, this "State-Mutualism" as one might call it, and be led to see in it the corner stone on which to raise the new financial edifice. As regards banking more especially, it might appeal to his imagination to evolve some national system of Mutual Credit Insurance, voluntary or compulsory—a network of Associations, perhaps, created by Government initiative for the purpose of guaranteeing the State Bank from bad debts, and endowed, in return, with the privilege of participating, through their representatives, in the appointment and supervision of the bank management. He might even go a step further, and seek to establish an actual organic *rapport* between these Associations and the new monopoly, by providing that delegates of the former shall take part in the daily transactions of the State Bank as real, active

members of the administration, both central and local, in the capacity of plenipotentiary assessors to the permanent directors and managers. Apart from their primary functions of guarantee and control, these Mutual Associations could in this way be made to act as good lubricating oil on the bureaucratic engine, and save it from its natural tendency gradually to lower the speed.

"In pursuing this line of thought, the competitors will not have overstepped the limits fixed by the founder. For although, as the word 'Nationalization' intimates, the Monopoly in question is conceived as a purely State concern, placed under the sole and inalienable ownership of the Nation, to the exclusion of the old principle of privileged private capital in semi-official institutions, yet there is nothing to prevent its being based upon an intimate co-operation with its clients—debtors and creditors —or with mutualistically organized combinations of the same.

"As to the working of it, the machinery is there. The Post Office is already one vast national and international banking and insurance system, only needing development. The possible advantages of this suggestion should be balanced against its possible disadvantages.

"Passing to the internal order, the competitors will no doubt of themselves perceive the justice and necessity of retaining the old staff, on terms no less favourable than at present. Future appointments, I take it, would be made in accordance with the sound business principle that merit, and not seniority, shall be the sole consideration in matters of advancement. At the same time, the directors and high

central officials should be assured of a generous share in the net profits of the whole, so as to be placed economically on a level with the great captains of industry and commerce. The managers of the various departments and branch offices should have their share in the results, each within his own respective sphere of influence. Nor should the rank and file be forgotten, but receive in addition to their fixed salary some suitable percentage, proportionate to the success of their efforts. The mutualistic principle would thus have been applied from one end of the ladder to the other, so that no good worker need have reason to regret the change.

" By the incorporation of some such maxims in the Charter of the Monopoly, we should have introduced a new element into the official world, and, so to say, have americanized the bureaucratic idea in at least one State Institution.

" The above suggestions are mere suggestions, to be accepted or rejected by the competitors. Other methods are equally permissible, so long as the two fundamentals insisted upon are kept in mind, viz. the nationalization principle and the business principle. The founder is optimistic enough to believe that by the union of these two opposing principles of State ownership and business organization it should not be found impossible to build up an efficient and popular financial Monopoly, a happy combination of ' Etatisme ' and Mutualism, of Centralization and Devolution, of Authority and Democracy.

" ARTHUR TRAVERS-BORGSTROEM.

" CLARENS, *November*, 1917."

* * * *

As the reader will have observed from the "personal statement" just quoted, it was my original intention to analyse the different national schemes of the prize-essays, and to make use of them, in due course, as material for a synthetic world-survey of the whole question. But as time went on it began to dawn upon me that "Nationalization" was only a part of the Open Sesame of which in 1917 I had but a general feeling of prescient vagueness; and the idea of a mutualistically organized Banking Monopoly —"State-Mutualism" in its first stage—gradually developed into what was really a sort of embryonic system of Mutualistic Philosophy.

In 1918 I attempted to embody these mutualistic impressions in a pamphlet, entitled *Mutualism, a Synthesis*, and had it privately printed and distributed, somewhat at random, to the economic popes and pontiffs of the five continents. It was not badly received. So I resolved to venture upon regular publication in the shape of this present little work, which is a revised edition, brought up to date and extended so as to include the latest surprises of European evolution. Of these, I should consider the world-famine which the American "food-dictator," Mr. Hoover, sees approaching, as perhaps the most significant. It is of engrossing actuality at any rate. For eat we must. If man will not work, neither shall he eat, we read somewhere in the Book of Wisdom. Now the modern workman seems to have a most modern and reasonable objection to working for others. So let him work for himself! On the land of course. The rest savours more or less of superfluity. With his own bit of land, and his pig and his cow, he will be no stickler for the eight-hour

day, but will work with a will—eighteen hours, if necessary, at the proper season. He will stand no strike nonsense from his food-distributing transport-worker brothers. In self-defence he will combine with his farming neighbours. And gradually he will come to see that the most permanently profitable form of combination is a close alliance between the individual farmers and the great society of eaters, as personified in the State. That is why in this new edition I have given such prominence to the system of "State-Metayage," *i.e.* agricultural co-proprietorship and collaboration between the tiller of the soil and the State or some mutualistically regulated autonomous national organization. It is my hobby, I admit. But I feel sure that Society would stand to gain if this so-called "hobby" of to-day were to become the popular programme of to-morrow. So should we have a cheaper loaf, and above all a more certain one, in self-contained independence of that subtle food-boycott form of militarism with which our new *Pax militans* school is hypnotizing a confiding public.

There is no new thing under the sun, saith the Preacher. In ancient Egypt, Pharaoh's Hebraic Minister, with a masterstroke of statesmanship, profited by the seven lean years to introduce that ingenious system of State-Metayage which Hellenistic Ptolemies and Roman Cæsars found it advantageous to perpetuate, thus eliminating the famine spectre right up to Byzantine times. I am in grim earnest—smile not, O sceptic modern!—when I propose a return to the Pharaonic system of land-tenure in its modified, autonomous form.

But with all these new and entangling develop-

ments before us, the scope of our inquiry becomes strangely extended. Instead of a comparatively straightforward " Nationalization of Credit," we are confronted with an extremely complicated and far-reaching " Mutualization " of Society—of Land and Labour, of Credit and Industry, of Human Nature itself. Such an all-embracing problem should not be left to the chances of individual qualification or survival. I have therefore thought it wise to leave the after-treatment of the prize-essays to a scientific organization which I have founded in Berne with the aid of my Swiss friends under the name of *The International Mutualistic Institute* (*Institut International de Mutualisme, Internationales Mutualistisches Institut, Instituto Internazionale di Mutualismo*). This Institute is intended to act as a bond of union between the different Mutualistic societies that are or may be established in the different countries of Europe or other Continents ; and its immediate aim will be to collect materials, to mobilize forces, and otherwise to prepare for a scientific examination and elaboration of Mutualism and the Mutualistic Doctrine, as soon as the results of the Berne Competition on the " Nationalization of Credit " have been published.

The President of the Institute is Dr. Jur. Ernst Blumenstein, professor at the Faculty of Law, Berne University.

Communications to be addressed to the Secretary, International Mutualistic Institute, Berne, Switzerland.

THE AUTHOR.

CLARENS, *August*, 1920.

MUTUALISM: A SYNTHESIS

CHAPTER I

THE FAILURE OF LAISSEZ-FAIRE

MODERN Industrialism, of which the great organizations of the twentieth century are the supreme embodiment, is, as we know, the materialist offspring of eighteenth century Idealism. The critical philosophy of Locke, popularized by Voltaire and Rousseau, had not only found its political expression in the Declaration of Independence in the New World and of the Rights of Man in the old, but had created a social atmosphere singularly favourable to the growth of the industrial idea. In the salons of Mme. de Pompadour, Dr. Quesnay would drily discuss the economic sides of that beautiful Natural Order to which Rousseau had lent the fascination of his magic pen. Marie-Antoinette and her ladies, fresh from the idyls of the Trianon, and in happy ignorance of Jourdan Coupe-Tête, would prattle not only of *La Nouvelle Héloïse* and *Emile*, but of the *Tableau Economique* and its physiocratic formulas. And when Adam Smith, in his brilliant pages, assured a society, which was weary of the vexatious trammels of the

Mercantilists, that this world of ours would be the best of worlds, did we but give free scope to its natural forces, his doctrine of economic freedom was accepted with acclamation by an expectant public, already saturated with the political gospel of Liberty and Equality. The new Economics of *laissez-faire* and the division of labour were diffused all over Europe and America by a crowd of Smithian disciples, and took root wherever liberalism had found a congenial soil; and more especially in England, the classic ground of industrial development.

Nevertheless, the great eighteenth century wave of encyclopædic enthusiasm that swept away the cobwebs of the *Ancien Régime*, was not destined to create the social paradise that Utopian dreamers had imagined. It was swallowed up in the sands of capitalistic selfishness or doctrinaire unreason. Applied to Economics, the liberalist gospel was not a success, whatever we may think of its political results. The sounding phrases of the French Revolution cast a meretricious glamour over the new economy, and made men forget that politics and economics are two very different things. While liberal politicians were occupied with the Sisyphean task of building up their great temple of Liberty and Equality on the basis of its industrialistic negation, the capitalist was left free to develop the "natural order" at his own sweet will.

And with what results? In vain is the legend *Liberté, Egalité, Fraternité* inscribed in letters of gold on the frontispiece of every church and public building in the great Gallic Republic. The *Confédération Générale du Travail* tells another tale. In vain did Fourier revive Rousseau's cry of "back to the land,"

le retour à la terre, or Proudhon preach *le mariage de l'homme avec la nature* to the anaemic wage-slaves of '48. In England, Ruskin and Morris inveighed against the tyranny of the machine. Joseph Arch interpreted to deaf ears "the call of the land." The Garden City movement tried to give practical form to the mediævalist dream of freeing the arts from mechanical servitude. Yet the "silent leaving of the land" went on all the same with the inexorableness of a law of nature. For all these well-meaning attempts, the land was not re-populated, nor was the black country any the greener—the "black country" of industrialist creation with its hideous chimneys and fiery furnaces, lighting up the dull landscape as we pass in the night, like some scene from the Inferno. The monster city is swallowing up the country-side. The stout yeoman, the healthy labourer, who kept up a fertile race, is migrating to the towns, leaving the fields without the arms to till them, and is soon transformed into the pale operative whose race would die out in a few generations, were it not replenished with fresh blood from without. The homely cottage has given place to workmen's housings, in endless monotony of block and row, and the old domestic pursuits are exchanged for the drudgery of the factory, taking its daily toll of health and freshness alike from man, woman, and child, and out of half England making a dismal region of grime and soot—as dismal as the "science" that made it —where man is so divorced from Nature, that he actually prides himself upon his country's — now fast fleeting — prerogative of being the "workshop of the world," the barracks of the black army.

The explanation is simple enough. We Liberals have been nurtured upon an illusion. We were taught to believe in Liberty and Equality. But, alas, Rousseau's poetical legend does not apply to the " dismal science." Economic liberty and economic equality are two opposite and antagonistic terms. They exclude one another, if taken literally. And they were taken literally by a world of philistines that understood not that poets and prophets are not to be so taken.

English Economic History, from the time of Adam Smith and down to the advent of Lloyd George, is really one long warning to other nations, who, dazzled by the brilliancy of the British world-dominion, would seek to follow England's example, ignoring the worm that is eating at the vitals of her prosperity. To this her own economic historians bear unconscious witness.[1]

The causes of this downward evolution—downward from a social, moral, and racial point of view —are to be sought rather in subtle psychological changes in the soul of the people than in mere material circumstances. It was surely the gradual ascendancy and triumph of the spirit of merchant humanitarianism, the spirit of an Adam Smith, of a Cobden or a Bright, over the more solid traditions of the country gentleman, of Sir Roger de Coverley and the Vicar of Wakefield, that made possible the English industrial revolution and its hyper-modern " super-

[1] W. Cunningham, D.D., *The Growth of English Industry and Commerce in Modern Times*, Cambridge, 1912; H. O. Meredith, *The Economic History of England*, London; Montague Fordham, *A Short History of English Rural Life from the Anglo-Saxon Invasion down to the Present Time*, London, 1916.

capitalistic" consummation. As Oscar Wilde, with the intuitive insight of the artist, puts it:

> The Manchester School tried to make men realise the brotherhood of humanity, by pointing out the commercial advantages of peace. It sought to degrade the wonderful world into a common market-place for the buyer and the seller. It addressed itself to the lowest instincts, and it failed.

The fact is, that Mercantilism did not die with the shelving of the Mercantile System, as has been popularly supposed. It only took another form. The spirit was the same—the obsession that exports, and exports only, make the life of the nation. The new Manchester Mercantilist, just like his "Colbertist" predecessor, put exports before everything else, to the neglect of the home market. The sole difference was that the regulated merchant and manufacturer gave place to the unregulated one. The capitalist was given a free hand, and the good old principle of the State keeping an equitable balance between the different economic interests was thrown aside in deference to doctrinaire opinion.

Of course the capitalist, now freed from administrative control, was not slow to avail himself of the new economics, so eminently in his favour; and the principle of the division of labour was exploited by him literally to "the eighteenth part of a pin."

From the time of Cobden and until the Great War, the average Englishman was so penetrated with this spirit of Mercantilist *laissez-faire*—Neo-Mercantilism, let us call it—that he did not see that his very free-trade was ruining him, by depriving him of the only market that he could really call his own—the home

market—and making him dependent upon other nations for his daily bread.

But is it, after all, so certain that even the experiences of the War will have succeeded in driving home to men and nations the true economic lesson which it ought to have taught them? We doubt it. In the multitudinous literature of the contending peoples, we have observed but scant understanding for a fact that long ago was recognized by a Russian scientist of world-wide reputation—we refer to Prince Kropotkine. In treating of the "Decentralization of Industries," [1] he points out that modern economists and politicians, especially in England—hypnotized by a century of marvellous inventions—have exalted Adam Smith's theory of the division of labour into an article of faith. Division and subdivision have been pushed so far, that "the modern ideal of a workman seems to be a man or a woman, or even a girl or a boy, without the knowledge of any handicraft, without any conception whatever of the industry he or she is employed in, who is only capable of making all day long and for a whole lifetime the same infinitesimal part of something. . . . Mere servants to some machine of a given description; mere flesh and bone parts of some immense machinery; having no idea how and why the machinery performs its rhythmical movements." And, not content with applying this division and subdivision of labour to the individual workers, the industrial theorists "proclaimed the necessity of dividing the whole of humanity into national workshops having each of them its own speciality. We were taught, for in-

[1] P. Kropotkine, *Fields, Factories and Workshops*, London, 1912, pp. 18 ff.

stance, that Hungary and Russia are predestined by nature to grow corn in order to feed the manufacturing countries ; that Britain had to provide the world-market with cottons, iron goods, and coal ; Belgium with woollen cloth ; and so on."

But, sooner or later, men will perceive that " there is no advantage for the community in rivetting a human being for all his life to a given spot, in a workshop or a mine ; no gain in depriving him of such work as would bring him into free intercourse with Nature, make of him a conscious part of the grand whole, a partner in the highest enjoyments of science and art, of free work and creation."

" Nations, too, refuse to be specialized. . . . Agriculture calls manufactures into existence, and manufactures support agriculture. Both are inseparable ; and the combination, the integration of both brings about the grandest results."

Political Economy, Prince Kropotkine goes on to say, has hitherto chiefly insisted upon the *division* of labour. He would vindicate its *integration*. And he maintains that the ideal of the future is a society of integrated, combined labour, " where each individual is a producer of both manual and intellectual work," and where " every aggregation of individuals, large enough to dispose of a certain variety of natural resources—it may be a nation, or rather a region—produces and itself consumes most of its own agricultural and manufactured produce."

Prince Kropotkine has here, we take it, enunciated a great economic truth ; a truth not generally recognized either by " orthodox " economists, nor by reformers of the various opposition schools. Industrialism, as generally conceived, has stood for the

centralization of industry and the *division* of labour ; the new school stands for the exact opposite, for the *decentralization* of industry and the *integration* of labour.

There is a certain want of precision about the use of the word " Industrialism." It is often used as synonymous with " Capitalism "—indeed, we have a shrewd suspicion of having ourselves been guilty of this incorrectness of expression. Of course, under the present capitalistic *régime* this is excusable, as the terms " Capitalism " and " Industrialism " in practice generally cover each other. But it is quite thinkable that the Collectivist State, or Syndicalist Guild, or Anarchist Commune might abolish private Capitalism and yet perpetuate that concentration and division of labour which is of the essence of Industrialism. Indeed, as has been already pointed out, none of the principal Socialist schools of the present day have shown any tendency to do away with Industrialism, as distinct from Capitalism, or to revert to the decentralization and integration principle. On the contrary, they seem inclined rather to favour concentration, as serving to keep up the " class struggle " with which their system stands and falls—or is supposed to stand and fall.

It is, of course, absolutely erroneous to identify Industrialism with Capitalism. Industrialism is of modern growth. " L'industrialisme est la plus récente de nos chimères scientifiques," says Fourier. Capitalism, on the other hand, is as old as the hills, and was rampant in Rome some 2000 years ago, in the days of Cæsar and Cicero—although Prof. Sombart, with his industrialistic definition of capitalism, would ascribe its " discovery " to Marx and the

Mercantilists.[1] At first sight, it is true, it might appear as though Capitalism and Industrialism were the common and synonymous resultant of the two interacting forces of Capital and Labour. But this is hardly the right view. Laying aside the niceties of scientific definition, and confining ourselves to the outward and visible manifestations of these two phenomena, we should say that Capitalism and Industrialism are two distinct and independent, though correlated conceptions. This will appear with greater evidence, if we consider them in the form in which they occur in ordinary life. When we speak of Capitalism, we surely think at once of money—do we not ?—money, that half-immaterial, and, particularly in its paper form, most unsubstantial of creations ; while Industrialism, on the other hand, conveys to us a more robust impression, incarnate as we find it in the shape of the great factory, with its thumping machines and swarming humanity. Looked at thus, the question is simple indeed. Capitalism centres in money and money-making, and the concentration of money ; Industrialism in labour and labour exploitation, and the concentration of labour.

Thus conceived as the concentration and—by implication—division of labour, the term Industrialism cannot be applied to Prince Kropotkine's new formula of synthetic production, based as it is upon the decentralization and integration of labour. A common and accepted term for this process is as yet

[1] Werner Sombart, *Der moderne Kapitalismus*, München u. Leipzig, 1916, erster Band, S. 319 ; zweiter Band, 1917, S. 397. See Chapter *Die Entdeckung des Kapitalismus* : " Für die Wissenschaft hat Marx den Kapitalismus entdeckt : seine Eigenart und Bedeutung für die Praxis erkannt zu haben, ist die grosse, geniale Tat der Merkantilisten."

lacking. We would suggest *Mutualism* or *Mutualization*—may the shade of Proudhon forgive us!—as implying that mutual relation between Man and Nature, between Man and his fertile Mother Earth, which is the essence of Kropotkine's decentralizing and integrating idea. As the opposite pole, then, to the *Industrialization* of Labour, for which Capitalism and Socialism stand, we would advocate the *Mutualization* of Labour—thereby meaning its decentralization and integration.

In using here the terms " Mutualism " or " Mutualization," we are of course not merely thinking of Mutuality in its everyday modern use, as a term for a certain form of insurance, nor even as akin to the co-operative idea—as a mutual collaboration in the attainment of certain economic advantages—but in that still wider sense in which Proudhon conceived his *Mutuellisme, i.e.* as something containing over and above the elements of mere material security and advantage, a certain immaterial, supererogatory leaven of sentiment, of fellowship, which raises it beyond our ordinary forms of self-interested association. It is in this higher sense that we should like to see the mutualistic idea infused into the organization and administration of our Mutualist State.

At the back of our mind is a reminiscence from Natural History—the intuitive Mutualism, the instinctive impulse to Mutual Help, which is discernible throughout the animal and human world, lower and higher, and of which Kropotkine speaks as constituting a beneficent counterpoise to the Darwinistic " struggle for existence " in its more extreme interpretation;[1]

[1] Peter Kropotkine, *Gegenseitige Hilfe in der Tier- und Menschenwelt*, Leipzig, 1910.

a golden thread of sympathy running through the blood-red evolutionary web, binding us to all that has life, and suggestive, to minds mystically strung, of some vague ethical ideal of cosmic fellowship with all sentient Being, to be realized, maybe, in the ages to come.

CHAPTER II

A MUTUALIST STATE

M. Leon Bourgeois, in his *conférence* of 20th November, 1901, on the subject of *La dette sociale et le quasi-contrat social,* touches on the mutualization question :

" Une organisation qui *mutualiserait,* pour ainsi dire, entre tous les hommes, les avantages et les risques de la solidarité naturelle, nous a paru, à première vue, le seul procédé capable de donner le résultat que nous attendons." [1]

The *résultat* for which M. Bourgeois is working would seem, however, to have but slight affinity with the " Mutualist " State of our imagining, while his *solidarité naturelle* smacks less of physical than of metaphysical law. We therefore hold ourselves at liberty to differentiate most emphatically between the solidarist *quasi-contrat* State, and our own.

There is, of course, no good reason why we should not have with us other reformers in this work of " mutualizing " land and labour. No higher principle of Socialism precludes its expositors from adopting the mutualistic formula as their own, or from merging, with us, the two contradictory conceptions of Individualism and Socialism into one single higher,

[1] Léon Bourgeois, *Solidarité,* 7me édition, Félix Alcan, Paris, p. 191.

synthetic Unity.[1] If Socialists would only take warning from the War and cast aside their "class struggle" dogma, which in the long run must be as damaging to all classes of the Nation, to Labour no less than to Capital, as it is advantageous to the labour and capital of competing nations with more idea of the importance of national solidarity, there would be some hope of arriving at a modus vivendi before a new war again brings about a temporary *union sacrée*. For we must confess to being so out of the fashion as to have no great faith in the stability of that "League of Nations" over which so much ink is being spilt just now, any more than in the peacefulness of the new democracies.[2] If the intrigues

[1] Cf. Proudhon's Hegelian formula: "La communauté, premier mode, première détermination de la sociabilité, est le premier terme du développement social, *la thèse*; la propriété, expression contradictoire de la communauté, fait le second terme, *l'antithèse*. Reste à découvrir le troisième terme, *la synthèse*, et nous aurons la solution demandée. Or, cette synthèse résulte nécessairement de la correction de la thèse par l'antithèse; donc il faut, par un dernier examen de leurs caractères, en éliminer ce qu'elles renferment d'hostile à la sociabilité: les deux restes formeront, en se réunissant, le véritable mode d'association humanitaire." (Œuvres complètes de P.-J. Proudhon, *Qu'est-ce que la Propriété?* Paris, Marpon et Flammarion, p. 202).—Proudhon's solution was "possession," perpetual, hereditary possession. Accepting this principle of possession, we would term it "mutualized property," as will appear further on, when discussing our scheme of mutualizing the land and establishing a system of hereditary *métayer* farms.

[2] Cf. in *The Times Literary Supplement* for August 8, 1918, "The Foundations of Peace," an article in which the new book by Sir Thomas H. Holdich, *Boundaries in Europe and the Near East*, is reviewed:

"The idea that the triumph of Democracy will in itself secure the triumph of peace he [Sir Thomas] dismisses as an illusion.

of courts and statesmen, with their conscious self-interestedness, are weighed against the changing humours of the Demos, with its unconscious self-interestedness—kept as it is in a state of nervous tension by a sensation-loving press—we fancy the balance will be about equal; while the present tendency of nations to be self-contained, and to erect new barriers against their neighbours, will hardly help us to the goodwill of those exporting nations who, even if they wished it, are simply physically unable to reduce their exports suddenly, without great inconvenience and suffering, or even ruin. Besides, there are the yellow races to take into account. Will they consent to accept the "white" ideals of the new Holy Alliance, with its everlasting *status quo*, so profitable to the Anglo-American Neo-mercantilist Imperium?

With the world as at present constituted, therefore, it should be to the interest of all classes of the nation to work harmoniously together in the direction put forward by Prince Kropotkine, so as to make the State, or combination of states, in which destiny has placed us, as far as possible self-sufficing and independent of the humours of other nations. And, if this be admitted, the sooner we set about working in earnest for the realization of our aim, the better. This concerns more especially the great exporting countries and their proletariats. For if their exports are suddenly threatened, it will be no easy matter to improvise a change. "The horse may starve while the grass doth grow," is a proverb that may be recommended to reformers of every hue.

But few of the peoples of the world are as yet ripe for democratic self-government, if they ever will be; in a world of infinite variety, a variety of forms of government is necessary. . . ."

To take a concrete example, and with the proverb just quoted in mind, let us for a moment think of England's position. Let us suppose, for the sake of argument, that owing to international jealousy or other causes her principal foreign markets were suddenly closed to her. The " Black Country " would be faced with imminent ruin. What could England do ? The sparse farming population still left on the land could not take off more than a fraction of the congested uneatables. An immediate declaration of war would be Britain's only possible reply. League or no league, our pacifists have no chance so long as they only keep up a general wail against militarism, ignoring the gist of the matter : industrial over-production, with its consequent scandalous international scramble. Coal and cotton, indeed, are productive of more wars than all the Junkers in existence. And the oil of Mesopotamia will not serve to calm the troubled waters.

From every point of view it is therefore necessary that we prepare for the worst, and that all classes combine in a patriotic attempt at putting their own house in order, rather than sit down and dream of an ideal " World Alliance " of Labour (black and white, brown and yellow ?), absolutely Utopian in face of existing differences in traditions, customs, beliefs and prejudices—differences racial, national, psychological, and physical ; economic and political ; material and ideal ; differences impossible to bridge, so long as man is man, and not yet superman.

International Socialism, we hold, is a passing phase in the Ascent of Man, like *laissez-faire* or the Division of Labour.[1]

[1] In its industrialistic form, of course.

CHAPTER III

MUTUALISM AND THE LAND

IMPELLED by Prince Kropotkine's exposition—as level-headed as it is eloquent—of the advantages that would accrue to the Community and to the Individual through the substitution of the new economic formula of decentralization and integration for the old one of concentration and division, we will venture in our turn to come forward—tentatively and in all humility—with a suggestion for the practical realization of this ideal, to which, for the sake of brevity, we will give the name of Land Mutualization.

The mutualization of Land and Labour would seem "a large order." And so it is, if it be taken from the self-interested standpoint of any particular class. We would not, however, approach the problem in any such paltry spirit. Nor would we content ourselves with any half-hearted measure of industrial reform, any palliative reconstruction of a system that is radically wrong. We would go the surer, and in the long run probably also the more expeditious way of beginning from the beginning and trying to build up a totally new system of land-tenure and integrated, combined industrial and agricultural labour, based upon the bed-rock of nationality and patriotism, that

" higher patriotism " of Fichte and the founders of German Unity, which looks upon the State not as a mere utilitarian collectivity of self-seeking units, but as a sacred heritage to be cherished for its own sake —an ideal which was that of all the great nations of history, until the time of their decline. To-day the peoples have not been long enough industrialized for this higher spirit of patriotism to have been totally extinguished. But before the War called to life again the robuster instincts of the more vigorous nations, a watery internationalism was becoming more and more prevalent. In the nature of things, one can hardly expect the hearth and homeless proletarian, the slave of the lamp, to preserve this higher patriotism for ever. Give him, however, a bit of the soil, and his internationalism will soon evaporate. Proudhon, the redoubted " father of anarchism," thus describes the peasant's love of the soil :

La métaphysique de la propriété a dévasté le sol français. . . . Elle a rendu l'agriculture odieuse . . . plus odieuse encore que la patrie ; elle pousse à la dépopulation. . . . On ne tient plus au sol comme autrefois, parce qu'on l'habite, parce qu'on le cultive, qu'on en respire les émanations, qu'on vit de sa substance, qu'on l'a reçu de ses pères avec le sang et qu'on le transmettra de génération en génération dans sa race, parce qu'on y a pris son corps, son tempérament, ses instincts, ses idées, son caractère, et qu'on ne pourrait s'en séparer sans mourir. On tient au sol comme à un outil, moins que cela, à une inscription de rentes au moyen de laquelle on perçoit chaque année, sur la masse commune, un certain revenu. Quant à ce sentiment profond de la nature, à cet amour du sol que donne seul la vie rustique, il s'est éteint. . . . L'homme n'aime plus la terre : propriétaire, il la

vend, il la loue, il la divise par actions, il la prostitue, il en trafique, il en fait l'objet de ses spéculations ; cultivateur, il la tourmente, il la viole, il la sacrifie à son impatiente cupidité, il ne s'y unit jamais. . . .[1]

It is this love of the land that we would give back to the Great City operative. Uprooted from the soil of his fathers, and transplanted into an artificial environment, he has forgotten, or is fast forgetting, the noble traditions of his ancestors. It is the aim of our Land Mutualization Movement to give him back what he has lost—his material and ideal birthright, in close contact with the land—before Industrialism has had time to mercantilize his soul. This is the "higher" point of view. At the same time we shall not have neglected the material factor ; for, if we succeed, we shall have created a home-market for our industries, and have made ourselves independent of foreign food supplies.

But we must once more return to Prince Kropotkine, our authority in the matter of scientific integration. "Half a century ago," he says, "a harmonious union between agricultural and industrial pursuits, as also between brain work and manual work, could only be a remote desideratum. The conditions under which the factory system asserted itself, as well as the obsolete forms of agriculture which prevailed at the time, prevented such a union from being feasible. Synthetic production was impossible." Things are different, now, however, he goes on to say. The wonderful simplification of the technical processes both in industry and agriculture

[1] Œuvres complètes de P.-J. Proudhon, *Théorie nouvelle de la Propriété*, Nouvelle édition, Paris, Ernest Flammarion, p. 158.

have rendered such a synthesis possible, and new methods of transmission of motive power have opened new possibilities for the development of the small industries.[1]

But, sceptics will object, in no civilized country are you likely to get a parliamentary majority, nor for that matter an autocratic government, to consent to upset all the existing land laws for the mirage of creating a peasantry affording a sufficient market for the home industries, and at the same time able to support an increasing population with the products of the soil, without foreign importations. To this objection we reply that there is here no question of upsetting existing laws and institutions, but only—by wise, moderate, and compensatory methods—of establishing a system which under a co-ordinating and directing, scientifically constituted central body, will tentatively and gradually proceed to demonstrate the possibility of combining agriculture and industry, in the mutual interest of the State and of the Individual ; a system, devised to prove in practice what,

[1] Kropotkine, *Fields, Factories and Workshops*, London, 1912, Preface, p. xi.

Modern invention opens immeasurable perspectives for the development of motive power. Level-headed engineers and men of business are planning the transmission of electric power from the Norwegian waterfalls to Sweden and Denmark. The ordinary price in Denmark is 15 to 20 öre per Kilowatt-hour. The Norwegians offer it at a price of from 10 to 15 öre. But now three Danish engineers, Messrs. Vinding, Falck, and Jensen, claim to be able with their newly improved accumulating windmill to deliver the same amount of electric power at 5 öre per Kilowatt-hour. And the latest (Norwegian) calculations (1920) have brought down the price to $2\frac{1}{2}$ or $2\frac{3}{4}$ öre (somewhere about an English farthing). (*Politiken*, May 31, 1918, and Aug. 3, 1920; *Finanstidende*, June 5, 1918.)

we contend, is already proved in theory, namely, that the new methods of industry and agriculture have so totally changed the nature of the problem as to make it possible for any given country,[1] by rational combination and co-ordination, to become the self-sufficing producer and consumer of its own industrial and agricultural produce, with no essential dependence on foreign trade. There is, surely, no real or tangible reason against this, except popular prejudice and professional routine.

"Science, down to the present day," exclaims Prince Kropotkine, "remains permeated with Malthus's teachings. Political Economy continues to base its reasoning upon a tacit admission of the impossibility of rapidly increasing the productive powers of a nation, and of thus giving satisfaction to all wants.[2] This postulate stands, undiscussed, in the background of whatever Political Economy,

[1] Or more accurately, to use Prince Kropotkine's words, any "aggregation of individuals, large enough to dispose of a certain variety of resources."

[2] Prof. Charles Gide, of the University of Paris, would seem to be an exception to this rule. In his *Cours d'Economie Politique* (new edition 1918, p. 317) he has the courage to look to China rather than to America for the agricultural ideal of the future:

"Si donc on veut essayer de se représenter le régime agricole du monde à venir, c'est plutôt du côté de la Chine que du côté de l'Amérique qu'il faut regarder. Et il semble qu'il répondra assez bien à l'idéal promis par les prophètes d'Israël: chacun reposera sous sa vigne et sous son figuier—comme aussi à la maxime que Voltaire a mise dans la bouche de Candide: il faut cultiver son jardin."

And in a note he adds:

"C'est grâce à la petite culture que la Chine réussit à nourrir sa population grouillante. Or, on assure que les Chinois, en repiquant chaque épi de blé, en triturant la terre et en la faisant passer au tamis, peuvent obtenir jusqu'à 150 quintaux de blé

classical or socialist, has to say about exchange-value, wages, sale of labour-force, rent, exchange and consumption. Political Economy never rises above the hypothesis of a *limited and insufficient supply of the necessaries of life*; it takes it for granted. And all theories connected with political economy retain the same erroneous principle. Nearly all Socialists, too, admit the postulate. . . . True, the formidable growth of the productive powers of man in the industrial field, since he tamed steam and electricity, has somewhat shaken Malthus's doctrine. . . . But agriculture is still considered a stronghold of the Malthusian pseudo-philosophy. The recent achievements of agriculture and horticulture are not sufficiently well known; and while our gardeners defy climate and latitude, acclimatise sub-tropical plants, raise several crops a year instead of one, and themselves make the soil they want for special culture, the economists nevertheless continue saying that the surface of the soil is limited, and still more its productive powers;

sur un hectare—soit le quintuple de ce qu'on obtient en Europe sur les meilleures terres.

"Mais la culture chinoise diffère de la culture maraîchère ou arboricole d'Europe et des Etats-Unis en ce qu'elle s'intensifie surtout par la main-d'œuvre, tandis que celle-ci s'intensifie surtout par le capital."

We are beginning to perceive that there are other spheres, besides agriculture, in which our "white" civilisation is not so infinitely superior to that of the great yellow race as we have fondly imagined. Witness this quotation from a recent work:

"Haltingly perhaps, but on the whole wonderfully well, China did once in her portion of the globe achieve what Walt Whitman holds up to the American democracy as an ideal still waiting to be realised—a great moral and religious civilisation combined with and justifying a great material civilisation." (A. E. Grantham, *Pencil Speakings from Peking*, London, 1918, p. 16.)

they still maintain that a population which should double each thirty years would soon be confronted by a lack of the necessaries of life." [1]

Prince Kropotkine, of course, was brought up in the latter half of the nineteenth century, that "economic Eldorado," as Mr. Keynes puts it in his mordant exposition—or exposure—of modern European economics :

What an extraordinary episode in the economic progress of man that age was which came to an end in August 1914 ! The greater part of the population, it is true, worked hard and lived at a low standard of comfort, yet were, to all appearances, reasonably contented with their lot. But escape was possible, for any man of capacity or character at all exceeding the average, into the middle and upper classes, for whom life offered, at a low cost and with the least trouble, conveniences, comforts, and amenities beyond the compass of the richest and most powerful monarchs of other ages. In this economic Eldorado, in this economic Utopia, as the earlier economists would have deemed it, most of us were brought up.

That happy age lost sight of a view of the world which filled with deep-seated melancholy the founders of our Political Economy. Before the eighteenth century mankind entertained no false hopes. To lay the illusions which grew popular at that age's latter end Malthus disclosed a Devil. For half a century all serious economical writings held that Devil in clear prospect. For the next half century he was chained up. Now perhaps we have loosed him again.[2]

Yes, indeed, Mr. Keynes ! We have loosed him,

[1] Kropotkine, *op. cit.* p. 159 ff.

[2] J. M. Keynes, *The Economic Consequences of the Peace*, New York, 1920, Harcourt, Brace & Howe, p. 10.

and with a vengeance. The Malthusian "pseudo-philosophy," as Prince Kropotkine and the optimists would term it, is coming to the front again. But with what warrant and for how long, who can tell? The science of to-day can give us no certain answer.

In the meantime, while the learned are disputing about pseudo this and sancta that, might we not find a short cut of some kind out of this economic imbroglio? We have not time to wait another century, while the doctors are debating. But where science fails us, might not practice guide us towards some serviceable, provisional, pragmatist truth or half-truth of "concrete consequence"? Co-ordinated scientific and practical experiment might do it. Not laboratory experiment only, of doubtful value, but real decisive verification of our laboratory postulates, in the shape of some large-scale, workaday trial, outlined by specialists and operated by trained business-men: in the present case a limited *land-mutualization*, carried out under scientific government supervision on a sufficiently large scale and for a sufficiently long period. Then, perhaps, we might be able to determine, once for all, whether such an increase in the fertility of the soil as Prince Kropotkine foreshadows is capable of practical realization, and whether a combination of agricultural and industrial pursuits, as visioned by him, is, within limits, achievable.

The game is worth the candle. It is the future of the nation, of the race, that is at stake.

CHAPTER IV

FROM JOSEPH TO PROUDHON

13. And there was no bread in all the land ; for the famine was very sore, so that the land of Egypt and all the land of Canaan fainted by reason of the famine.

14. And Joseph gathered up all the money that was found in the land of Egypt, and in the land of Canaan, for the corn which they bought : and Joseph brought the money into Pharaoh's house.

15. And when money failed in the land of Egypt, and in the land of Canaan, all the Egyptians came unto Joseph, and said, Give us bread : for why should we die in thy presence ? for the money faileth.

16. And Joseph said, Give your cattle ; and I will give you for your cattle, if money fail.

17. And they brought their cattle unto Joseph : and Joseph gave them bread in exchange for horses, and for the flocks, and for the cattle of the herds, and for the asses ; and he fed them with bread for all their cattle for that year.

18. When that year was ended, they came unto him the second year, and said unto him, We will not hide it from my lord, how that our money is spent ; my lord also hath our herds of cattle ; there is not aught left in the sight of my lord, but our bodies, and our lands :

19. Wherefore shall we die before thine eyes, both we

and our land? buy us and our land for bread, and we and our land will be servants unto Pharaoh: and give us seed, that we may live, and not die, that the land be not desolate.

20. And Joseph bought all the land of Egypt for Pharaoh; for the Egyptians sold every man his field, because the famine prevailed over them: so the land became Pharaoh's.

21. And as for the people, he removed them to cities from one end of the borders of Egypt even to the other end thereof.

22. Only the land of the priests bought he not: for the priests had a portion assigned them of Pharaoh, and did eat their portion which Pharaoh gave them: wherefore they sold not their lands.

23. Then Joseph said unto the people, Behold, I have bought you this day and your land for Pharaoh: lo, here is seed for you, and ye shall sow the land.

24. And it shall come to pass in the increase, that ye shall give the fifth part unto Pharaoh, and four parts shall be your own, for seed of the field, and for your food, and for them of your households, and for food for your little ones.

25. And they said, Thou hast saved our lives: let us find grace in the sight of my lord, and we will be Pharaoh's servants.

26. And Joseph made it a law over the land of Egypt unto this day, that Pharaoh should have the fifth part; except the land of the priests only, which became not Pharaoh's.

27. And Israel dwelt in the land of Egypt, in the country of Goshen; and they had possessions therein, and grew, and multiplied exceedingly.[1]

[1] Genesis xlvii. 13-27.

As far as I know this is the first reference in history to that ancient form of land tenure, which in France is called *Métayage*, in Italy *Mezzeria* or *Mezzadria*, in Germany *Teilpacht* or *Halbpacht*, in Sweden and Finland *Haelftenbruk*. It is also the first recorded example of the financial genius of the Chosen People—one of "Joseph's splendid financial ingenuities," as Mark Twain has it.

A world-famine—the world was not so round at that time—forced Joseph to invent what was really an all-embracing system of State-Metayage. We also are confronted with famine—practically a world-famine. We know it. But a reminder, taken at random from a Paris paper, will perhaps serve to bring it home to us more luridly :

Un cri d'alarme.

La surface cultivée dans le monde diminue d'une façon sensible.

Le département de l'Agriculture des États-Unis s'est livré récemment à une enquête approfondie dans le but de déterminer la situation agricole exacte pour cette année. Cette enquête a révélé, entre autres choses, que la surface cultivée avait diminué d'une façon sensible.

Il est impossible de déterminer dans quelles proportions, mais M. Meredith, secrétaire à l'Agriculture, estime qu'elles sont considérables, et il déclare qu'il y a lieu de craindre une pénurie de produits alimentaires.

—Il n'est pas douteux, déclare d'autre part le rédacteur en chef d'un journal consacré à la défense des intérêts des fermiers, qu'il y aura pénurie de produits alimentaires l'hiver prochain.

Les fermiers ne dissimulent pas, d'ailleurs, leur résolution bien arrêtée de restreindre la production. Ils

déclarent que les salaires relativement élevés offerts par l'industrie ont poussé l'ouvrier agricole à abandonner la terre. Ils ajoutent qu'il leur est impossible de payer les salaires qui leur sont demandés. Aussi s'arrangent-ils de façon à réduire leur récolte de manière à rester dans la limite des moyens dont ils disposent.

Un questionnaire a été envoyé à tous les fermiers du pays. Les réponses à ce questionnaire révèlent une situation des plus critiques ; 50% au moins de ces réponses indiquent que les fermiers ont l'intention ou d'abandonner leurs exploitations, ou de réduire la surface cultivée par eux.

Outre la disette de main-d'œuvre, les fermiers se plaignent des frais élevés que nécessite la distribution des produits de la culture et de manque de contact entre le producteur et le consommateur.

—Les frais de distribution, déclare M. Meredith, doivent être réduits. Les opérations doivent être simplifiées ; il est exagéré de payer 50% de la valeur d'un produit. Il en résulte que le consommateur paye une somme trop élevée et que le fermier reçoit une rémunération insuffisante. Il importe que les travaux agricoles rapportent davantage au fermier. L'élévation du prix de la vie a placé ce problème au premier plan de nos préoccupations. S'il n'est pas résolu de façon satisfaisante, la quantité de produits agricoles à répartir entre la communauté ira diminuant, et les prix augmenteront de façon correspondante.[1]

Necessity is the mother of invention. Necessity sharpened the wits of the son of Jacob to a financial inventiveness, the first germs of which lay latent already in the edifying story of the mess of pottage. May the gods of determinative necessity quicken our

[1] *La Liberté*, Paris, 28 Juin 1920.

gentile wits and enable us to rise to the calamitous occasion. Let us do as Joseph did, with modern qualifications. He excepted the priestly domains. We will except the peasant proprietor and his patrimonial glebe. The rest could be gradually bought up —not confiscated!—by our Modern Pharaoh, the almighty People, and given over to an organization of hereditary "State-Metayer" farmers. Side by side, peasant proprietor and State-Metayer would grow and prosper, and in time we should find out which system is best suited to our particular shade of national character.

Or perhaps a mixture of both would be best for soul and body? A parallel evolution. Lest one good custom should corrupt the world.

In the meantime, let us cast a glance at the history of this ancient institution of Metayage, and seriously consider whether the metayer experience of the centuries might not in one way or another be brought into harmony with our modern ideals.

Metayage as such was hardly an invention of Joseph's. Very likely Father Abraham brought it with him in his migration from Ur of the Chaldees, that cradle of mankind. Like so many other types and traditions it is lost over there amongst the early morning shadows of the East. But it was Joseph who first made finance—and High Finance—out of a simple farmer's idea. We have here a well-considered scheme, carried out on a large scale and embracing a whole country, in which was embodied the very same "mutualistic" conception, which Proudhon, the Father of Anarchism, evolved some 4000 years later in that fairly un-anarchistic piece of inconsistency to which he gave the name of *Mutuel-*

lisme, and which in his *Contradictions,* in his trenchant French, he summarizes in the following sentence :

" . . . une théorie de mutualité . . . qui, par la puissance de son principe, au lieu de demander crédit au capital et protection à l'état, soumette au travail le capital de l'état . . ." [1]

Resting on the same economic foundation, we thus find ancient despotism and modern libertism in touching harmony. The Old Testament Patriarch and the hyper-modern author of *La Propriété c'est le vol* were without doubt two kindred financial geniuses—though Proudhon was all unconscious of being a transmitter of Hebro-Egyptian tradition. Joseph's Land Reform—in its day, I believe, considered somewhat of a success—is a signal example of what " State-Mutualism," in its agrarian " State-Metayer " form and carried through on a grand, an universal scale, can do for a country. Since then, as far as I know, the world has seen no kindred combination which should have attempted, on a similar scale, to realize this principle of Economic Mutuality, or Collaboration, between the State and the Individual, in the daily life of the people ; unless, indeed, it were the Empire of the Incas—a supposition that might speak for the theory of the Egyptian origin of Peruvian civilization.

Europe has had nothing to show analogous to this *métayage grand style.* The Helleno-Roman civilization was quite too individualistic. Rome certainly had her *coloni partiarii* in early times, under the older Republic, in connection with the working of the State

[1] P. J. Proudhon, *Système de Contradictions ou Philosophie de la Misère,* Paris, 1850, Garnier Frères, tome ii. p. 379.

Domains, the *ager publicus*.[1] After the time of Augustus, the metayer system was gradually adopted on the private estates, and although the Roman legists do not seem to have attached any special weight to it from a juridical point of view, yet from a private standpoint the innovation was evidently of considerable economic importance.[2] The great *latifundia*, exploited by means of slave labour, proved unmanageable and not too profitable. The system of free or half free farmers was not much better. Pliny the younger complains that his farmers are always behindhand with the payment of their rent, and declares that the only way out of it will be to change the whole plan of working and no longer to let the farm for a money rent, but simply to divide the harvest with the farmer. "For what income," he exclaims, "could be more just than that which comes to us from the fruitfulness of the soil, from the warmth of the air, and from the changes of the seasons!"

But these were after all only private and local efforts to ensure a better exploitation. No great politico-financial experiment *à la* Joseph to create an universal fiscal system of State-Metayage was ever made in Rome. It is true that in Egypt the Roman rulers seem to have followed the wise policy of pre-

[1] "Les Siciliens pressurés par Verrès étaient des colons partiaires. Ils devaient donner chaque année un dixième de la récolte pour le blé, l'orge, le vin et l'huile. Ce qui prouve qu'il s'agissait d'une prestation colonique et non pas d'un impôt, c'est que, en Sicile, seules les terres de *l'ager publicus* y étaient soumises." (Georges Desvaux, Avocat à la Cour d'Appel, *Du Métayage*, Paris, 1893, p. 207.)

[2] Gaius dismisses the institute with the words: *partiarius colonus quasi societatis jure et damnum et lucrum cum domino fundi partitur*. (Desvaux, *op. cit.* p. 93.)

serving what was good and useful in the old established institutions of the Pharaohs and the Ptolemies, and amongst these the ancient institution of "King's peasants," really a class of State-Metayers. As is proved by the pre-Christian papyri, all the land in Egypt, in Macedonian times, belonged to the king, and the greater part of the country was cultivated by State farmers on a sort of Metayage system, as in the time of Joseph. The Romans made no essential changes. In every village there was a State granary, to which the farmers brought their corn. The portion due to them was here entered into the State books and kept at the disposal of the respective farmers ("Corn-giro"); while the portion due to the State was conveyed by the canals and down the Nile to the great public granaries in Alexandria, from whence the grain was exported for the account of the State. The Government thus officially collaborated with its subjects in the various capacities of land-owner, banker and corn-merchant.

Not till the Byzantine period, with the decline of the central power, did private landed property in the modern sense evolve in Egypt; and with the diminishing power of the Government it gradually increased and increased, until at last it culminated in the *latifundia* of the great land-owners.[1]

Egypt, however, was an exception. Nothing approaching to real State-Metayage existed in any other part of the Empire. During the later period, when the decline had already set in and agriculture began to be neglected, feeble attempts were made to

[1] Cf. Prof. Friedrich Preisigke of the Heidelberg University, *Bargeldlose Zahlungen in römischen Aegypten*, "Internationale Monatsschrift," Oct.-Nov. 1918.

re-populate the country-side by means of *coloni partiarii* or emphyteutic (hereditary) farmers. The State Domains, especially the border settlements, were opened to colonists, Romans and "barbarians." But it was then too late. The increasing urbanization, the indifference of the citizens and barbarian encroachments frustrated all attempts at reform. Ravaged and downtrodden by Goths and Vandals, the land lay fallow. Out of nameless chaos the feudal system at length emerged. Order, certainly, out of disorder. But the servile status of the conquered did not permit of any other relation between the landowner and the tiller of the soil than that of master and slave—or villein, to use the milder term. And there was no all-powerful Pharaoh or Inca to play the part of Providence for the poor peasant.

In the later Middle Ages the Metayer system re-appears, and forms a happy transition stage through which the gradual transformation of the feudal villein or serf into the half-free *glebae adscriptus* and the modern farmer was made possible.[1]

In Continental Europe a great part of the people never got beyond the Metayer stage, and seem to have found it to their advantage to keep to it. Under the *Ancien Régime*, it was the dominating form, and in Southern Europe it has preserved its vitality right up to present times. Half Italy and a good part of France are still cultivated on this method. But this is of course only unsystematic, private metayage, and not the State-mutualist conception of State-

[1] Except in certain hyperborean lands, like Sweden and Finland, where the feudal system never took root and the peasants never became serfs, nor even *glebae adscripti*, but always owned the land they tilled, by free allodial right.

Metayage as a Proudhonian extension of the Pharaonic idea.

In England, as opposed to the Latin countries, the Metayer system is in practice unknown, and Adam Smith exclaimed: "The Institution of Metayers—*coloni partiarii*—has so long been in disuse, that I really do not know any name for it in England."

In Germany and Austria the Metayer system has never been of any great importance, with the exception, perhaps, of Istria and Dalmatia, where the Italian influence has been at work. In his report to the Prussian Minister of Agriculture on the Metayer system Dr. Hermes writes:

> A characteristic feature [of French agriculture] is the prevalence of the Metayer system. Whereas the same in Germany is now little more than an historical reminiscence of a bygone period, in France on the other hand it has preserved its vitality, and in many parts of the country still holds its own with singular tenacity. Indeed, after having for some time lost ground, it has of late been gaining both in extent and economic importance.[1]

In the Scandinavian countries and Finland, Metayage, as in Germany, may be said to have become a mere "historical reminiscence."

During the first half of the nineteenth century the Metayer system would seem to have had a tendency to go out of fashion. But ever since in the 'seventies and 'eighties competition from overseas began to render the European farmer's position difficult—and this applies not only to the farmer, who has to pay a money rent to his landlord, but also to the peasant proprietor, who cultivates his own land—the Metayer

[1] Dr. A. Hermes, *Der Teilbau in Frankreich*, Jena, 1907.

system seems to have been gaining ground steadily. Even in England the Metayer principle is being discussed. Christopher Turnor, for instance, the well-known agricultural authority, makes favourable mention of the system in his valuable little work *The Land and the Empire* [1] in connection with "partnership farming," which, he says, "is practised in many parts of the United States, and is in point of fact a modification of the Metayer system."

But it is really in France and Italy that Metayage should be studied. Stuart Mill, as we know, devotes a commendatory chapter in his *Political Economy* to the Metayer system on the Continent. Amongst its advocates we may name Lloyd Baker [2] and the aforenamed Avocat Desvaux, who in his work *Du Métayage*,[3] deals with the question in a very thorough manner, both historically, juridically and from the practical agriculturist point of view. Dr. Desvaux ends his learned treatise with the following extract from de Tourdonnet's *Situation du Métayage en France*, which I cannot deny myself the pleasure of quoting :

Quelle conclusion formelle est-il permis de tirer de toutes ces réflexions, de tous ces faits ? Celle-ci, ce nous semble : qu'un système d'exploitation, qui, dans les circonstances actuelles, en pleine crise, donne au propriétaire un revenu de plus de 80 francs, au métayer un bénéfice de 27 francs, ce qui porte le bénéfice total à plus de 100 francs par hectare, qu'un système de culture qui élève en quatre années à près de six mille francs les

[1] John Murray, London, 1917.

[2] "The Metayer System in Tuscany," reprint from the *Journal of the Bath and West and Southern Counties Society*, Bath, 1897.

[3] Librairie de Jurisprudence, Edouard Duchemin, Rue Soufflot 18, Paris, 1893.

économies réelles d'un exploitant, qui, en entrant dans son domaine, n'avait que ses bras ; qu'un tel système, basé sur l'association la plus morale qu'on puisse imaginer, sur l'alliance continue du capital et du travail, sur les sentiments les plus purs de la famille, sur l'intérêt solidaire de toutes les opérations, doit être conservé scrupuleusement là où il existe, doit être amélioré sans hésitation partout où une réforme pratique devient possible, doit être proposé pour exemple à ceux qui se trouvent embarrassés dans la marche régulière de ses exploitations.

The last sentence is just what Pliny said some eighteen centuries earlier, in very much the same words.

So far Dr. Desvaux and M. de Tourdonnet a generation ago. In 1919, Professor Gide, the eminent French economist, comes to the same conclusion. Ever since the great fall in prices for agricultural produce towards the end of last century, he says, the Metayer system has been shooting ahead. And in point of fact, he remarks, it has many advantages—economic, social and moral—over ordinary tenant farming at a money rent, and even over direct cultivation by the owner ; besides which it has a special interest for the economist as being an ideal form of the principle of association in its application to the relations between Capital and Labour, in free and intimate community of interests. In fact it can be said that the Metayer system bears the same relation to ordinary leasehold farming as profit-sharing to money-lending—*le contrat d'association s'oppose au contrat à forfait.* It may even be contended that Metayage stands apart as actually constituting a more advanced form of association than ordinary

profit-sharing, since under the Metayer system it is the labourer who really becomes the leader of the enterprise, with the owner in the second plane, whereas in profit-sharing the owner always remains *le patron*. And Professor Gide ends his chapter on *Le Métayage* with the following words :

> . . . le vieux contrat de métayage peut être rajeuni de diverses façons et adapté aux besoins nouveaux, tout en conservant son caractère essentiel, celui d'être une société de pertes et de gains, comme on disait dans l'ancien droit français.[1]

In order to take root in countries where it has not the advantage of time-honoured tradition, as in France and Italy, the old Metayer system will of course have to be considerably remodelled in accordance with modern demands. Above all, it should be combined with the emphyteutical institute of hereditary tenure. And here perhaps the custom prevailing amongst the descendants of the old Norsemen in the Faeroe Islands might with advantage be adopted. There, the so-called " King's peasants " (*Kongsboender*) hold their farms by a sort of hereditary right. The accepted custom of the Islands is that the eldest son, whilst the father is still in possession, should establish himself in the farmhouse and receive one-half of the farm for cultivation, on condition of paying the expenses of the same in the name of the possessor.[2]

[1] Ch. Gide, *Cours d'Economie Politique*, Paris, 1919, tome ii. pp. 227-30.

[2] *Faeroeske Landbo-Kommission av* 13 *Marts* 1908, Copenhagen, 1911, p. 456.

CHAPTER V

STATE METAYAGE

A NATIONAL scheme of State-Metayage should of course not be introduced in a brusque, revolutionary, half-thought-out manner, but gradually and systematically, according to a pre-arranged plan, in combination with a gradual and systematic mutualization of agricultural land (and, by implication, of labour). As to details, I will venture on a few suggestions, to be taken for what they are worth, as a basis of discussion.

In 1918 the English *National Democratic and Labour Party* in its Rural Programme recommended the adoption of the Australian system of colonizing. According to that system the Treasury needs no cash for the buying up of land for this purpose. The landowner is simply paid in Government bonds, payable after twenty-five years. As soon as the purchase is completed the Ministry of Agriculture gives over the land in question to the Land Department, for its administration and development. And as the Land Department is less exposed to political changes than the Ministry of Agriculture, a certain continuity in the carrying out of the programme is in this way obtained, and the danger of party jobbing is guarded against.

In planning the proposed Land Mutualization, Australian experience might with advantage be utilized and extended on some such lines as the following :

I. THE LAND MUTUALIZATION BOARD

An autonomous department of the Ministry of Agriculture, with a permanent, non-political staff, buys up agricultural land for mutualization, according as such land is to be had on acceptable terms. Once the purchasing negotiations are completed, the area is handed over to the " Chartered State-Metayer Farming Organization " (see below) for its administration in accordance with the Charter of said Organization.

II. THE CHARTERED STATE-METAYER FARMING ORGANIZATION

for the management and development of agricultural mutualization land on the Metayer system ; for the co-operative raising and disposing of Metayage produce ; and for the gradual introduction of other forms of decentralized industry, in combination and co-ordination with Metayer farming.

III. ADMINISTRATION

A. Central Office

administered by

(*a*) *General Manager*

appointed for a term of years by the Land Mutualization Board, and assisted by

(*b*) *Six General Assessors*

elected annually by District Assessors (see below), from amongst themselves or from amongst the other Metayer farmers.

The opinion of the General Manager is decisive in all matters, unless the Assessors are *unanimously* against him, in which case their view shall prevail.

B. District Offices

each administered by

(*a*) *District Manager*

appointed by General Manager, and assisted by

(*b*) *Three District Assessors*

elected annually by the Metayer Farmers of the District, from amongst themselves. As regards decisions, same rule applies as to Central Office.

C. Metayer Colonies.

(*a*) *An Agent*

appointed by District Manager from amongst Metayer Farmers and

(*b*) *A Foreman*

elected annually by the Metayer Farmers from amongst themselves. If these two, Agent and Foreman, cannot agree, they shall apply to District Office. The Manager may, if he judges fit, appoint as Agent the Foreman elected by the Metayer Farmers, a proceeding which would of course contribute to the smooth working of the machinery.

In this way, I take it, we shall have avoided the rocks of red tape and political jobbery. Of course, a

good deal depends upon the General Manager. If the Land Mutualization Board chooses as such a first-rate man of business, and not an ordinary official or politician, the system should work well. On the other hand, if the Board make a bad choice of General Manager, well, the Metayer Assessors in that case have it in their power, if unanimous, to force their own policy upon the Management.

As in the case of mutualized banking, so also in the case of mutualized agriculture, I should in both cases be inclined to attach great importance to the institution of lay assessors, with a decisive vote, if unanimous. But this presupposes an "organic *rapport*" between the Assessors and the Management, a consummation which it is proposed to attain by means of a provision that the lay assessors "shall take part in the daily transactions . . . as real, active members of the administration, both central and local." [1] Otherwise, they will not have sufficient insight into current affairs to be able to exercise a really efficient control over the Management.

By introducing some sort of co-proprietorship of the above kind between the State and the farmer, we shall have given the agricultural labourer the advantages of individual ownership, of individual production on his own bit of hereditary land; land which cannot be taken from him without good cause and judicial judgment. He will have a minimum risk of "bad times," caused by the ups and downs in the purchasing power of money, and no mortgagee moneylender pressure in countries where abuses of that kind are still to be met with. At the same time he will have the capital of the Organization behind him, and can

[1] Cf. Introduction, pp. xxi-xxii *ante*.

take part, if he so wishes, in the co-operative transactions in connection with the cultivation of the land, with all the advantages of wholesale trading and large-scale production, and none of its defects. But we would not make such co-operation compulsory. On the contrary, we would leave it to the individual metayer to decide whether it be to his advantage to collaborate with his neighbours, or to stand by himself. In most cases he will probably, like the Danish farmers, be glad of an opportunity for collective purchasing of machines, fertilizers and other necessaries, collective marketing of his half of the farm produce, collective dairying, milling, etc. The whole would in point of fact form an immense State-controlled association of producers, which could with advantage negotiate with existing State-controlled or private associations of consumers; with full liberty, as indicated, for each individual metayer to buy and sell on his own account.

But the metayer farmer must of course submit to the rules and regulations for the cultivation of the land, etc., prescribed by the Management, in accordance with the fundamental principles of the Metayer Institution.

Over and above the ordinary work of administration, the Directorate might be empowered to initiate experimental farms, in order to ascertain by practical experiment on a sufficient scale, whether a combination of agricultural and industrial pursuits, within certain limits, be not achievable. For, if successful, such a combination would go far towards repopulating the countryside. And in course of time, with some such system of Mutualized Land and Labour, we might evolve, not—as State-Socialism would have it—

an army of officials shepherding an obedient herd of socialized machine-slaves, but a firm front of self-reliant hereditary State-Metayer farmers, in joint, self-governing possession, with the State, of the soil of their fathers.

CHAPTER VI

FINANCIAL MUTUALIZATION

A FASCINATING scheme, surely, we seem to hear our benevolent critic saying to himself, with somewhat of a sigh. But, alas, where is the money to come from, money for buying up half the country, or more ?

In the first place we are not going to buy up half the country at one fell swoop, but little by little as the opportunity offers itself of acquiring farms and estates at reasonable rates during the course of years, without resorting either to expropriation or over-payment. Money, of course, will have to be forthcoming. But money is to be had, and to spare, without encroaching upon the other revenues of the State, if we will but put through the programme referred to in the Introduction—the *Nationalization of Credit*, or, as in this connection, we would prefer to say, the *Mutualization of Credit and Finance*. If systematically carried out, on sane business lines, and not in the confiscatory and otherwise impossible way in which it has recently been attempted in a great and somewhat disturbed European country, it would without doubt turn out a great financial success, and give the State ample means of carrying out the proposed Land Mutualization scheme. It would,

moreover, have other indirect advantages, besides forming a new and easy source of income, and would be of undoubted profit to our national commerce and industry, no less than to agriculture. It really constitutes a practical acknowledgment of the principle enunciated by Walther Rathenau, the great German industrial magnate, that " Economics are no longer a private matter, but a matter for the Community," and that the Community must therefore take resolute steps with a view to creating a scientific, State-controlled organization of the leading private industries of the country.[1]

Four strenuous years have brought this principle to the fore, not only in Germany, but also in the Entente Countries, hitherto so impatient of economic restraint. In England, especially, there has been an inundation of opportunist reconstruction literature, of mushroom growth and ephemeral value. Amongst the exceptions that prove the rule, we may single out Saunders' *Self-supporting Empire,* if only for the reason that it appears with a laudatory foreword by Sir Edward Carson. Besides, Mr. Saunders is in a certain way representative of British business interests, being, as he is, Vice-Chairman of the British Empire Producers' Organization.

It is interesting to peruse Mr. Saunders' pages side by side with Rathenau's. The British public is not yet prepared for naked Protection and State Socialism. The thing is there, but clothed in suitable Anglo-Saxon garb. The author does not in so many words say, with Rathenau, that the business of a country is no longer the concern of the private business man. Between the lines, however, we read much the same

[1] *Die Neue Wirthschaft,* Berlin, 1918.

budding collectivist tendency. Speaking of the Joint Standing Industrial Councils representing employers and employed which were recommended in the Whitley Report of the Reconstruction Committee and which have since been adopted by the Cabinet, Mr. Saunders points out that a collective organization of industries—of each industry and of each group of industries—is of vast importance to the country, and that "experience has proved that the advantages to be derived from combined action in meeting home demands and developing export trade far outweigh anything gained from the secretive individualism on which the British manufacturer used to pride himself."

This is indeed an admission from one who has Sir Edward Carson behind him and thus indirectly the great Belfast industrial community. To us poor outsiders who have not the privilege of being able to say *civis Britannicus sum*, and whose commercial mentality has been based upon the supposed inexhaustible receptivity of the English market, it will be a revelation the reverse of pleasurable to hear that the British Empire has the "opportunity of being self-supporting in every vital particular," and evidently means to make use of the opportunity by means of protection and preference—protection against the foreigner and preference for the Dominions. Let us hear and inwardly digest the words of the Dominions Royal Commission, as quoted by Mr. Saunders:

> We have found [says the Commission] that in one part or other of those (self-governing) Dominions all animals and almost every crop flourish that are needed for the sustenance and use of man, and we believe, especially if the products of the more tropical parts of the Empire which were not included in our investigation are taken

into account, that the Empire could meet not only its own needs but those of friendly neighbouring countries.

Not without foreboding will the non-British exporter —not yet a convert to our Mutualistic, autarchic doctrine—take note of this official report, and of Mr. Saunders' complacent reflection that :

The [British] Empire occupies a quarter of the surface of the globe and contains more than a quarter of the total population. The greatest of ancient Empires—that of Rome—had an area of 1,400,000 square miles, and a population, at the time of its greatest prosperity, of 85,000,000. Canada covers 4,000,000 square miles, Australia 3,000,000, and the remainder 750,000 miles, giving the British Empire more than five times the area of the Roman Empire. In point of population the difference is not so great, as so many portions of the British Empire are as yet thinly populated. But of the 65,000,000 inhabitants of the self-governing portions, 45,000,000 live in the United Kingdom, leaving 20,000,000 to the 7,000,000 square miles of the five overseas Dominions. India, we may add, has an area of over 1,800,000 square miles [1] and a population of over 315,000,000—about three-fourths of the total population of the Empire.

Such is this magnificent Empire, on which—in conquistador language—the sun never sets. No wonder, after this stock-taking, that Mr. Saunders comes to the conclusion—natural from the British point of view—that " the tendency in the future should certainly be for the Mother Country to import from the Dominions and Colonies in preference to other countries, and for each section of the lands

[1] We cannot quite make these figures square with one another. But this is a detail.

overseas to develop the supplies which it is best fitted to produce."

To crown it all, Mr. Saunders and Sir Edward have made a discovery. Agriculture, they say, is "the basic industry," and should be encouraged. In this of course they are right. The wonder is that it should have required a world war to make the discovery. It needed the submarine—for England a blessing in disguise—to open the eyes of Mr. Bull and to force him to admit what to us foreigners seems a truism, viz. that "it is essential to guard against over-industrialism," and desirable to make England agriculturally as self-supporting as possible, with intensive farming in England, Scotland, and Ireland, and the Dominions in reserve to supply the deficiency.[1]

Innocent neutrals like Denmark, Sweden, and Finland, whose systems of farming are in great part based upon dairy exports to the English manufacturing districts, will do well to note in time this British world-adaptation of Fichte's "closed commercial state," and in their hearts to ponder over Peer Gynt's riddle concerning self-sufficiency and being sufficient unto oneself. Who knows but what some European Inter-State League and Covenant for mutual economic protection and advancement, with some new Monroe doctrine for these parts, may not after all prove a last refuge for the small fry of the Old World?

In France the well-known pseudonym *Lysis* approaches the question in a different manner in his interesting work, *Vers la Démocratie Nouvelle.* His is not the world-encircling imperialism of Anglo-

[1] See *A Self-supporting Empire,* by Edward Saunders, Vice-Chairman British Empire Producers' Organisation, with a Foreword by Sir Edward Carson, K.C., M.P., London, 1918.

Saxondom. He is content with a more domestic, non-imperial ideal. But, like Rathenau and Saunders, he recognizes the economic nature of the problem. That modern parliamentarism has failed, is his diagnosis. The *deputé* politician has been weighed in the balance and found wanting. The remedy is *la représentation économique* :

> La solution se dégage d'elle même : pour avoir une représentation des intérêts, il faut renverser l'état des choses actuel et prendre exactement son contraire, c'est-à-dire classer et organiser les électeurs par profession, au lieu de les confondre et de les mélanger sans distinction de métier, comme on le fait aujourd'hui. Agriculteurs, industriels, commerçants, patrons et ouvriers, fonctionnaires, etc., doivent voter séparément, chacun dans leurs catégories, et choisir des délégués pris dans leur milieu et connaissant leurs besoins.[1]

For those who believe in political reform, there is perhaps something to be got out of this idea of an Economic Representation. This is really only an up-to-date and scientifically conceived application of the old guild principle of the Middle Ages, the quintessence of which the Socialists were the first to comprehend and to revive in the modernized form of Syndicalism. It is this idea of the syndicate, the profession, that *Lysis* would like to see applied not only to the working classes, but to all the principal classes and professions of Modern Society, as the basis of political representation. Why not make the experiment ? We cannot decently make politics worse than they are in our modern democracies.

[1] Lysis, *Vers la Démocratie Nouvelle*, Payot & Cie., Paris, 1917, p. 188.

Possibly better. At any rate we might in this way get rid of the paid politician who makes a living out of keeping alive our class differences. Classes will always exist—for "we cannot all be tailors," as a High Personage once replied to a fashionable London tailor who, at a charitable gathering, had remarked that the company was "rather mixed." But sooner or later we shall surely find that our interests are not so divergent as it is to the advantage of the agitator-politician to make out.

A travers les nuages de l'idéalisme de camelote avec lequel on cherche à nous griser depuis si longtemps, nous sommes nombreux qui discernons la réalité crue que le régime actuel n'est pas plus ouvert aux hommes de talent que les précédents et que nous n'avons supprimé les gens titrés que pour installer les politiciens au pouvoir.

The men of 1789 would turn in their graves, could they see the sordid reality into which their noble dreams have been transformed. The dreams they dreamt have gone the way of all fair dreams. But Professional Suffrage is no dream, no airy fabric of an egalitary imagination. It is founded on hard facts, and might perhaps prove to be no unsound basement upon which to raise the many-storied structure of the future, stone upon stone, and wall upon wall. At any rate it will not vanish when brought into contact with realities, like the Rights of Man and other amiable abstractions. The new representatives will be taken from the world of production, will be men of action—execution, not elocution—thoroughly knowing their trade or profession, and not merely excelling in the subtle task of contenting *Monsieur Tout le Monde et son père*, like "the lawyers accus-

tomed to defend all causes, the professors versed in expounding all theories and the journalists trained to treat all subjects," who are the present rulers of the Republic.

So far *Lysis*. As for our humble selves, if we had the honour to be anybody's "deputy," we should certainly endorse the *Démocratie Nouvelle* as a stage on the road to that *Aristocratie Nouvelle* of integrated Land and Labour which is our Mutualist ideal.

In the foregoing we have quoted prominent representatives of three great countries, England, France and Germany, all with the same *motif* running through and dominating their variations on the same theme—the Economic State, built up on a scientific basis, and with an executive of workers, not talkers. This new theory of the State, explicitly formulated by *Lysis* and implicitly contained in the reasonings of Rathenau and Saunders, is certainly infinitely superior to the prevailing "liberal" doctrine, with its semi-anarchic economic system, or want of system. But Messrs. Rathenau, Saunders, and *Lysis* do not go far enough for us. The measures they advocate are merely make-shifts. They accept an industrialized world. We do not. They still have a certain residual faith in political reform. We have not. For our part, we would eschew politics, and leave politicians to the atrophy of the sterile. We would pass them over, and cut the Gordian knot by impressing into the service of the community that great modern power, Finance, too often the master, and not the servant of the State, making of it the lever wherewith to turn the world right side up again. Capitalism, we take it, must be radically transvalued. However much we may otherwise differ from Marx and Sombart, we

heartily agree with them in their drastic delineation of capitalism, more especially as incarnated in *la haute finance.*

As a matter of history, capital, as opposed to landed property, invariably takes the form at first of money; it appears as moneyed wealth, as the capital of the merchant and of the usurer. But we have no need to refer to the origin of capital in order to discover that the first form of appearance of capital is money. We can see it daily, under our very eyes. . . . The simple circulation of commodities—selling in order to buy—is a means of carrying out a purpose unconnected with circulation, namely, the appropriation of use-values, the satisfaction of wants. The circulation of money as capital is, on the contrary, an end in itself, for the expansion of value takes place only within this constantly renewed movement. The circulation of capital has therefore no limits. The capitalist functions . . . as capital personified and endowed with a consciousness and a will. Wealth, ever more and more wealth in the abstract becomes the sole motive of his operations.[1]

Such is the Marxian litany. An Abstractum, responds Sombart, an Unit of Wealth forms the constitutive mark of the capitalistic conception. The dissociation of capital from the capitalist, from the person of the owner, is the characteristic of [modern] capitalism. In the capitalistic enterprise the interest no longer centres, quantitatively or qualitatively, in any particular person or persons, but simply and solely in the fructification of the capital engaged. The capitalist merely represents one or more units of

[1] Karl Marx, *Capital*, English translation of 1887, edited by Engels, vol. i. p. 123 ff.

wealth. And, inasmuch as he is himself only a representative, he can in his turn be represented. It is no longer his own activity that forms the determinating element in the working of the enterprise (as in the handicrafts), but the activities and aptitudes of indefinite outsiders employed in the exploitation of the wealth unit. This explains the prodigious energy that the capitalistic enterprise is capable of unfolding.

This separation of the aim in our capitalistic form of economy from the corporeal person of the capitalist is of vital importance for the right understanding of capitalism. In the overcoming of the concreteness of the aim lies the overcoming of its limitations. The aim, in becoming abstract, becomes unlimited. And, as the possibilities of the capitalistic enterprise expand into boundlessness, so also does the energy of its aims become de-personalized, rendered impersonal, independent of the accidents of individuality. Through a complicated psychological process the fructification of capital—the ultimate aim of every capitalistic undertaking—forces itself in the light of a categorical necessity upon the mind of the capitalist, of the owner who forms the concrete substratum of the abstract wealth-unit. The acquisitive spirit, the spirit of lucre, an originally subjective habit of mind, is thus as it were projected into objectivity :

> When all comes round, it is our fate
> To serve the creatures we create.[1]

It is this Frankenstein of our own creation, this seventh Great European Power of Impersonal Capital,

[1] Sombart, *op. cit.* 1902 edition, vol. i. pp. 196-7, paraphrased.

as pre-eminently typified in the great Joint Stock Banks and Credit and Investment Institutions, that we would nationalize, or "mutualize," and transform into a pro-social force; thus clothing Proudhon's mutualistic phantasy in modern garb.

CHAPTER VII

STATE MONOPOLY OF CREDIT

THE monopolizing tendencies of the great private credit institutions have of late years attracted the attention of economists all the world over. In England the Treasury Committee on Bank Amalgamations published its report in the spring of 1918. The Report foresees the possibility of a Money Trust being formed, contrary to the public interest, and therefore recommends that the approval of the Government be required before any amalgamations are announced or carried into effect; and that if an amalgamation scheme seems likely to result in any undue predominance of special interests, it shall be refused sanction.[1]

This remarkable report naturally at the time created a certain sensation in financial circles, and is as pertinent to the situation to-day as it was then—or more so. As a sample of public opinion we will quote the following article from the *Economist* of July 20, 1918, with due acknowledgment to the editor:

In the current *Edinburgh Review* Sir Charles Addis discusses with refreshing breadth and lucidity the dangers

[1] See Appendix, p. 88.

and problems involved by the process of bank amalgamations, and makes a very instructive comparison between the merits of our banking system and the German. After calling attention to the danger involved by amalgamations, and the effect of the consequent " tendency to restrict the limits of personal credit " on " two of the main foundations of London as the financial centre of the world, the discount market and the Stock Exchange," Sir Charles goes on to the question of the disadvantages likely to be produced by mere size. " The bigger the bank," he says, " the greater the danger that, with the lapse of time, it will become entrenched in a bed of vested interests, inimical to change, discountenancing the introduction of new ideas and discouraging the more efficient methods of young and vigorous competitors. The latent power of the amalgamated banks in sapping competition will be very great. It may even be questioned whether the gigantic size they have already attained does not constitute a menace to the predominant position which the Bank of England has hitherto enjoyed as the bankers' bank. . . . It is even conceivable that the finance of the State may be threatened. . . . Nor can the psychological effect of these great aggrandisements of capital in the hands of a few banks be ignored. They are virtually Government guaranteed institutions. The insolvency of one of the great banks would involve such widespread disaster that no Government could stand aside. They would be compelled to make use of the national resources in order to guarantee the solvency of private banks. From Government guarantee to Government control is but a step, and but one step more to nationalization. We are playing into the hands of Mr. Sidney Webb and the Socialists."

Mr. Sidney Webb, opportunely enough, sings the same tune, which in his rendering becomes a Hallelujah of antici-

pated triumph, in the current *Contemporary*. He states his view that amalgamation is an "economically inevitable development," and that "the only remedy, ultimately, for the dangers of a banking monopoly, is for the community to take the monopoly into its own hands." Space forbids our entering, at present, into the details of his very interesting scheme. Suffice it for to-day that these two authorities, approaching the question from so different a standpoint, agree that a State banking monopoly is in sight, as a danger or a blessing according to the taste and fancy of the prophet. In the meantime, the process continues.

Coming from what was once, and perhaps still is, the leading financial journal of the world, these words are symptomatic of the public nervousness.

On the Continent a similar movement is noticeable. In Germany the three great private banks dominate the whole financial and industrial situation, and have been busy fortifying their position by amalgamations and combinations. And behind the banks stand the industrial magnates in close array. A few super-capitalists play the *Deus ex machina* to the economics of a whole country :

> In Germany, men like Thyssen, Kirdorf and Rathenau had no reason to fear the banks whose credit they availed themselves of. It was they, and not the banks, who shaped out the course of industrial development, and their influence on the business policy of the banks was no small one.[1]

Thus we see that the heaping of impersonal capital is apt, under certain conditions, to bring about an irresponsible personal oligarchy.

[1] *Die Bank*, Berlin, July 1918, p. 492.

Contre l'Oligarchie Financière en France is the title of another publication by the above-mentioned pseudonym *Lysis*, a recapitulation of a *polémique* of his of some years standing with *Testis*, that other Great Unknown on questions of French economic actuality. In France, too, impersonal accumulations of private capital seem to have led to *de facto* monopoly and oligarchy. In leading financial circles there is a feeble attempt to explain away the feeling of apprehension on the part of the public caused by this international bank amalgamation movement :

> Or, on s'est, paraît-il, ému de ces " fusions." Certaines personnes, de l'autre côté du détroit, auraient la crainte de voir se former un pouvoir despotique et arbitraire qui abuserait d'une situation prépondérante pour favoriser et tyranniser les autres. Il faut bien peu connaître les affaires de banque et de crédit pour croire que les chefs de ces établissements se laisseraient conduire par des sentiments—car les idées de " faveur " et de " tyrannie " sont des sentiments—et non par les intérêts de leurs maisons.[1]

But what of the " intérêts de leurs maisons," we presume to ask of Monsieur Liesse? Can they not lead to " tyrannie " ?

On the other side of the ocean amalgamation also seems to be *en marche*. In the United States, says a representative London banking journal, there has been a " feeling after amalgamations or the creation of new large financial corporations, the object evidently being to provide all that is necessary for financing large commercial undertakings both during

[1] *L'Economiste français*, July 27, 1918, p. 101.

and after the war."[1] Moreover, there is a tendency towards the unification of the American banking system, of which the *Economiste français* expresses its high disapproval—in our eyes a fact rather recommendatory than otherwise of the movement in question.[2]

Even distant Thule seems to be following the fashion. Amalgamations, financial and industrial, are the order of the day in Sweden. The Swedish Financial Commission has now delivered its report, "a scientific document of high value," says the *Finanstidende*, "representing as it does the views of a number of practical bankers and well-known economists." The report proposes the Control and Rationing of Capital for export and of Capital for home purposes. An effective official control over importations will be necessary after the war, says the Commission. As regards home credit, in each special case there must be a differentiation between what is necessary and what is not absolutely necessary. It is proposed to place the control of the money market and the rationing of capital in the hands of a Committee, appointed by the Financial Commission, and the sanction of this Committee will be required for the announcement of public loans, the formation of new companies and the enlargement of old ones, the emission of shares, bonds, etc.

These measures, the *Finanstidende* remarks editorially, certainly savour somewhat of State Socialism, even if it be admitted that their direct and apparent usefulness outweighs their drawbacks. "A methodical employment of the national capital," the Editor goes

[1] The *Bankers' Magazine*, July 1918, p. 4.

[2] July 27, 1918, p. 100.

on to say, "is of course only to be commended. Some sort of rationing also may become necessary. But does not this lead to the Nationalization of Capital? The question is a delicate one. Yet we cannot deny that the application of the principles enunciated by the Commission would seem to be desirable in the public interest, if envisaged cautiously and carried out by competent persons."[1]

Evidently, in all more developed countries, financial concentration is leading to monopoly, private or public.

[1] *Finanstidende*, Copenhagen, August 7, 1918, p. 1204.

CHAPTER VIII

MUTUALIZED CREDIT

We have already touched upon the question of nationalizing Credit and Finance, in connection with the Berne University Competition in 1924; and we took the liberty of suggesting the term *Mutualization*, instead of Nationalization, as representing a specific form of nationalization, more appropriate to a people of freemen than nationalization pure and simple. The latter can only lead to bureaucracy and political jobbery. Mutualization, on the other hand, we claim, guards against these evils by supplementing the principle of nationalization with that of mutuality and fusing the two into a new, composite entity, to which, perhaps, we might give the name of *State Mutualism*. As embodied primarily in a Mutualist State Bank, this principle would in its application constitute a kind of economic collaboration between the State and the Individual, and can best be characterized by once more quoting our Neo-Mutualist device:

"... A theory of Mutuality ... which, in virtue of its principle, instead of demanding credit of Capital and protection of the State, places the capital of the State at the disposal of Labour. ..." [1]

[1] P. J. Proudhon, *Système de Contradictions économiques ou Philosophie de la Misère*, Paris, Garnier Frères, 1850, tome ii. p. 379.

It is just this blending of the principle of authority *étatisme*—with that of mutuality—*mutuellisme*—which to our mind forms what is really original and practical in Proudhon's contribution to economics. His *Banque d'Echange* was a failure. That was probably not so much his fault, as that of the period. A more level-headed, workaday generation may perhaps succeed where the gifted visionary failed.

As to coming forward with any detailed scheme for the Mutualization of Banking and Finance, it would of course be out of place here to anticipate the results of the International Competition in 1924. We must therefore restrict ourselves to calling the reader's attention to the "Personal Statement of Founder" given in the Introduction. It is there suggested, as one of many alternatives, that the National Monopoly Bank should be based upon an effective national system of *Mutual Credit Insurance*, voluntary or compulsory—for instance a network of Associations, created by Government initiative for the purpose of guaranteeing the State Bank from bad debts, and endowed, in return, with the privilege of participating, through their representatives, in the appointment and supervision of the bank management. Indeed, an actual organic *rapport* might be established between these Associations and the new Monopoly, by means of a provision that delegates of the former shall take part in the daily transactions of the State Bank as real, active members of the administration, both central and local, in the capacity of plenipotentiary assessors to the directors and managers. Apart from their primary functions of guarantee and control, these Mutual Associations could in this way be made to act as good lubricating oil on the bureaucratic

engine, and save it from its natural tendency gradually to lower the speed.

We should thus, so to say, have modernized the bureaucratic idea in at least one State Institution, and have deprived the Monopoly of its sting by popularizing it and allowing its clients—debtors and creditors—to take an active part in its administration.

But besides the bureaucratic danger, there are the politicians to guard against. We were talking just now of eschewing politics and politicians. Vain hope, alas! We cannot do without the politicians, if we are going to create a National Monopoly Bank and a National Credit Insurance. We can only trust that they may be wise enough to perceive the desirability of keeping the State Bank free from class interests, and patriotic enough to agree to a Bill of Self-denial, whereby the Bank would be accorded an autonomous Charter and the Directorate enabled to follow a consistent and consecutive policy, independently of the existing political *régime*, and undisturbed by intrigues from above or from below. The Bank would then, by the mere fact of its monopoly of credit, have a moral influence that would render unnecessary any too minute Government interference in industrial or other conditions. With the right men at the helm, and the collaboration of the most eminent scientists, technicians, agriculturists, financiers, and men of business of the Nation—a kind of Economic General Staff—this State-created state within the State should be strong, just, and efficient: strong enough to control any illegitimate state within the State tendencies, whether of capitalist or labour origin, which arrogate to their self-interested associations the power that should belong only to the Community as a whole;

just and equitable enough to be uninfluenced by fear or favour in its decisions; wise enough to distinguish between adventitious interests and the permanent advantage of the country. Founded and administered on these principles, it should have such moral, intellectual and material authority, both at home and abroad, as to make it peculiarly well fitted to conduct delicate economic negotiations in the interests of combined National Capital and Labour, as against the combined or uncombined capital and labour of other States or combinations of States —nowadays an important consideration. It would, in fact, be the controlling nerve-centre of the Mutualist State, the economic brain, from which the mutual agricultural, industrial, commercial and financial interests of the State and of the Individual would be directed.

A coalition of the two mutualizations, of mutualized Land and mutualized Finance, would place the people that initiated it in a position of hitherto unparalleled social-economic excellence and racial culture.

In the long run, after the first shock of conflicting world-concepts, such a transvaluation of values should even tend toward the realization of the great pacifist lion and lamb ideal—when once Imperial Mercantilism has given place to integrated, self-sufficing National Labour, and all the great nations shall have come into line in this respect.

The Mutualization of Credit—of Borrowing and Lending—and the creation of a National Banking Monopoly, concentrated in the hands of a National State Bank (Federal, of course, in Federations), would automatically carry with it the solution of many of

the financial problems that now, after the war, have become acute. Such are, for example, the questions of inflation and scarcity, of prices and foreign exchanges, in fact, the whole currency problem. Evidently, with the home money-market once freed from private financial speculation and cosmopolitan bourse jobbing, and with a National State Bank, One and Indivisible, the State (or Federal Authorities) would have such a comprehensive view of the financial and economic situation, based, for instance, upon a confidential weekly report, that the commission entrusted with the regulation of the currency would have no difficulty in holding the circulation of credit and legal tender within those quantitative limits which constitute the bulwarks against inflation on the one hand, and against scarcity on the other. This would render possible a practical, everyday application of the "Quantity Theory," as expressed in the so-called "Equation of Exchange."[1] For however plausible in principle, in practice this formula would appear to be of somewhat doubtful value under present banking conditions. But if, instead of having to found their calculations upon more or less arbitrary probabilities and assumptions, experts were to be furnished with a weekly statement (private and

[1] $MV + M^1V^1 = PT$

where M represents the quantity of actual money in circulation; M^1 the total amount of "deposit currency," *i.e.* bank deposits, subject to transfer by cheque; V the velocity of money circulation; V^1 the velocity of deposit circulation; P the level of prices; and T the volume of trade. (See Prof. Irving Fisher's *Purchasing Power of Money* and *Principles of Economics*.) If the "giro" system (book transfer) were to be introduced instead of cheques —as would be possible under a banking monopoly—the fixing of the "Equation of Exchange" would become still simpler.

confidential, of course), embracing the whole country and showing the variations in each individual client's account with the Monopoly Bank (with a discreet suppression of names), it should be possible to fix the varying terms of this " Equation of Exchange " with an accuracy which the present system of private banking does not admit of. With the actual figures to hand, the authorities could with tolerable certainty foresee the amount of legal tender and credit currency which the trade necessities of the immediate future could be expected to require.

The advantages to the nation at large of being able in this manner to keep the supply of currency fairly equal to the demand (neither much greater—inflation, nor much less—scarcity) and thus to prevent any appreciable variations in the purchasing power of money, should more than outbalance any private objections to the reform. Indeed, there need be no great deviation from existing practice. Even now a number of bank officials are cognizant of each client's account. The staff of the Monopoly Bank could be sworn to professional secrecy—even as against the taxation authorities—and the public need really have no more fear of indiscretions than at present in the case of bank, post office-, telegraph- and telephone-clerks. It is only the novelty of the idea that at first comes as a shock to the old fashioned business man. As a matter of fact he—and all of us, except the financial jobbers—would stand to gain by the setting up of a currency [1] more in accordance

[1] " We shall find that money itself belongs to a general class of goods which we may call " currency ' or ' circulating media.' . . . Currency consists of two chief classes: (1) money; (2) bank deposits. . . . A cheque is the evidence of the transfer of bank deposits. It would not be generally accepted by strangers.

with the times than the present hybrid system of super-modern credit, ingrafted upon a mediæval monetary survival which has its roots in social-economic conditions that were so totally different from those at present existing. As things are now the two can never mature into an organic whole. But give us a currency unit, organically evolved out of our modern credit system,[1] and so regulated as always to be in approximate quantitative correlation to a scientifically determined Index Number for the general Price Level, give us such a unit, and we shall all of us—capitalists and working men alike—experience a sensible relief, by the removal of one of the prime causes of those fluctuations in prices and wages which under our present system tend to feed the flame of anarchism and bolshevism.

In this connection the recent founding of a *British Banking Reform League* is a portent of coming change. Its very name is an indication that all is not well with banking. A circular sent out by the League in January 1919, is still of intense actuality, covering as it does a " criticism " of the Report of the Currency Committee, signed by Mr. Arthur Kitson, President of the League. This " Criticism "—really a *précis* of Mr. Kitson's remarkable work *A Fraudulent Standard* of 1917—summarizes the case against the present banking and currency system in a formidable indictment :

Yet by cheques, bank deposits, even more than money, do actually serve as a medium of exchange." (Prof. Irving Fisher, Yale University, *Principles of Economics*, New York, 1915, The Macmillan Co., p. 148.)

[1] " Nearly 99 per cent. of our trade and commerce is transacted by means of bank credit." (Arthur Kitson, *A Fraudulent Standard*, King & Son, London, 1917, p. 204.)

Under the plea of maintaining the gold standard, the desirability of reducing and restricting the fiduciary note issue, of keeping the business of banking free from State interference, it would seem that the real object aimed at in the Report is to place within the control of the London bankers a practical monopoly of the Nation's currency and credit, so that the entire industrial and commercial life of the people will be at the mercy of a small group of Financiers—a group which is becoming smaller in number, year by year, as the process of bank amalgamations continues. And although the law may restrict this process within certain limits, it will still be possible for the Bankers to form a secret Money Trust as powerful and far more dangerous than that which threatened the industrial freedom of the United States for several years under the management of the late Pierpont Morgan.[1]

One thing, at any rate, the British Banking Reform League has made clear: in no case should we countenance the banker's dream of restoring the gold standard. As Mr. Kitson very ably shows, such a measure would only increase, and perhaps double, the purchasing power of money, and thereby the war debt, for the private benefit of the banking and money-lending classes. Let the monetary price-level be what it will, the great thing is to stabilize the money unit and thereby to prevent the unnatural fluctuations of prices and wages that the present system entails.

The late Sir Edward Holden indirectly recognized the justice of that part of the Banking Reform

[1] *A Criticism of the First Interim Report of the Committee on Currency and Foreign Exchanges, presided over by Lord Cunliffe, G.B.E.* (Governor of the Bank of England), by Arthur Kitson, President of the British Banking Reform League, January 11th, 1919.

League's programme which aims at a free and elastic issue of fiduciary money and the definitive repeal of the Bank Charter Act of 1844. If the gold reserve of the moment is insufficient, the Bank Act prevents the issue of more notes, however much the country be in need of circulating medium. And a suspension of the Bank Act is always a heroic measure, at which legislators hesitate, until it is often too late. Sir Edward, therefore, in his speech at the General Meeting of the London Joint City and Midland Bank in January 1919, suggested the acceptance of the American Federal Reserve system, the central idea of which is " elastic currency issued against commercial paper and gold, expanding and contracting according to the needs of commerce." " It will be observed," Sir Edward remarked, " that in this system the currency in circulation is not increased unless there has been a previous increase in the volume of goods produced, as the bills of exchange which are discounted for currency must be commercial bills representing goods. Hence there is no similar effect upon prices consequent on an increase of currency obtained in this way, as would be the case when notes are issued against securities not representing goods, such as Treasury Bills." [1]

As a first instalment, the American Federal Reserve System of combined commercial paper and gold is attractive enough. But—*ceterum censeo*—without the demonetization of gold, it is after all but a half measure. Not that we disdain either gold or silver, or any other precious metal for that matter. We would always keep a sufficient amount of bullion in the bank vaults, as a sort of latent confidence reserve,

[1] Cf. *Banker's Magazine*, March 1919, p. 359.

subject to the periodical inspection of a sceptic business world. And, on demand, the unbelieving holder of a fiduciary symbol should always be allowed to convert his scrap of paper into good gold or silver, varying in weight or fineness according to the official weekly or daily quotation for the precious metals.

The above, of course, refers only to home prices and the national monetary unit. Foreign commerce would remain as now, a matter of barter, and would, as now, be dependent upon the balance of trade and other causes, material and psychological. But, if we confine our reforms to home affairs, not even nationalization—or mutualization—would suffice to bring about that stabilization of the foreign exchanges just now so devoutly to be desired. The present mechanical system of private arbitrage should be replaced by some mutual, inter-European arrangement. Banking, if possible, should be mutualized not only nationally, but internationally. Gold should be demonetized, as suggested above, and the different states accepting demonetization—while keeping their national paper currencies free and independent, as becomes sovereign powers—should cut the Gordian knot of exchange by combining to form an *Inter-European Bank of Inter-State Compensation*, somewhat on the lines proposed by Signor Luzzatti, the former Italian Minister of Finance, for an International Clearing House,[1]

[1] *Conférence Parlementaire Internationale du Commerce*, 27, 28 et 29 avril 1916. Félix Alcan, Paris, 1916, p. cxxxviii ff. Signor Luzzatti's proposal is, that " the banks of the allied countries should do what is carried out every day between the governments of all civilized countries through the medium of the International Postal Union " by creating " an international system of clearing that would settle, by way of compensation, the debit and credit of each collaborating bank."

or by Dr. Sven Helander, of Gothenburg, for a Central International Bank of Issue ;[1] but with the essential difference that according to our project the co-operating states would form a regular *Mutual Credit Association* for facilitating the settling of their respective balances with the least possible material transportation of gold or goods for merely clearing purposes. Each State would be responsible for a certain subscribed amount, of which only a minor part need be paid up, in gold or silver, to be held in reserve in the common Bank vaults. Such a Mutual Inter-State Bank should in preference be domiciled in an absolutely neutral country—Switzerland for example—as a sort of sacro-sanct Inter-European Delphi or Delos.

With some such system of National State-Monopoly Banks, and a common Inter-European Inter-State Bank of Inter-State Compensation, on Mutual Credit lines, as a centripetal, unifying force, the currencies and foreign exchanges' problem could be mastered once for all and kept free from the *hausse* and *baisse* influences of the private financiers who at present disturb international relations. There will be no peace in the money-market so long as these gentlemen are free to manipulate it. But a financial league of nations, with monopoly at home and co-operation abroad, would have a mutualizing tendency all round, while leaving untouched the absolute economic sovereignty and individuality of each individual State.

[1] Dr. Sven Helander, Gothenburg, Sweden, *Theorie der Zentralisation im Notenbankwesen*, Jena 1916, p. 144 : " As a parallel to the International Postal Union . . . an International Bank of Issue might be imagined " (" als eine Parallele zum Weltpostverein wäre die Weltnotenbank zu denken ").

We should thus at last have arrived at Plato's ideal of a domestic monetary unit for home purposes and a common Hellenic standard for foreign exchange, or Fichte's conception of " Home-Money " and " World-Money," but modernized and immaterialized from a concrete magnitude into an abstract relation, *i.e.* the mathematical *ratio* between the national, local monetary unit, whatever that may be, and, in the one case, the *National Index Number* for the necessaries of life, in the other case, the accepted international media of compensation, at present gold and silver, at their commodity market-price as expressed in the form of an *International Index Number* for the precious metals ; the whole culminating in a system of book-entries (*giro*) to the debit or credit of the various National State-Bank accounts in the Inter-State Ledger—with a solid background of gold or silver bullion (at its commodity appraisement) in the vaults, as a pledge of good faith and sound credit on the part of the signatory powers.

There remains the thorny question of *Investment*, and the possibility of mutualizing, or so to say " re-personalizing," our joint-stock companies. This problem would daunt a Cæsar. It cannot, like banking, be solved by a stroke of the pen. The mutualization of banking is mere child's play in comparison. Banks and insurance companies have been so busy organizing, centralizing and monopolizing themselves, that the State has really only to step in with a smile and a thanks, and no one the wiser. But we may well hesitate to apply the match to the economic combustibles that our liberalistic fathers managed to heap up during less than a century and bequeathed to us in the shape of all that impersonal

capital which our limited companies represent. The eminent jurist—whoever he was—who first devised the institute of Limited Liability, could hardly have realized the logical consequences of the new jurisprudence—or—imprudence!

The same doctrinaire policy that during the course of the nineteenth century established the money-lender's right of use and abuse in the matter of Usury, and legitimized the old liaison between Capital and Interest, also abolished the wise restrictions of former times against the impersonal aggregations of money called companies. In this respect the Mercantilist lawyers, no less than the jurists of that other great capitalist society, Ancient Rome, had been vigilant in guarding against the rise of any plutocratic State within the State. In Rome there were certainly the great organizations of *publicani*, with their *partes*, analogous to the shares of our joint-stock companies, widely dispersed amongst all classes of the community.[1] But there never existed any really independent commercial association. The great Vectigalian Societies just alluded to, with their extensive industrial and financial operations, were all strictly subordinate to the State, and the public contractors

[1] "Ce furent ces innombrables et puissantes sociétés en commandite par actions, comme les sociétés anonymes de notre temps, qui convièrent le peuple à participer aux grandes entreprises de l'Etat. Les actionnaires s'appelaient *participes*.

Les *partes*, plus ou moins chères suivant les moments et les circonstances, subissaient l'influence des évènements, comme le faisait aussi très fréquemment et très brusquement, au dire des historiens romains, le taux très mobile des intérêts, au Forum. Nous avons, sur ce dernier point, les renseignements les plus précis. C'était une sorte de cours du change très mouvementé." (Antonin Deloume, *Les Manieurs d'argent à Rome*, Paris, 1892, p. 17.)

who represented them in their relations with the State and the public, and in whose name they were carried on, were responsible personally. There was no real impersonal capital in Rome, independent of the State, as in the modern world. All the other societies, except those bound by formal contract to the State, were on principle kept in a condition of instability by the *jus fraternitatis*, with its restrictive stipulations as to the dissolution of partnership at the death of every partner, its recognition of the right of voluntary renunciation and other grounds for dissolution, which excluded any spirit of continuity and kept the number of partners and their capital within necessarily very modest limits. This being the case, and the societies of *publicani* being absolutely under the thumb of the executive, it was possible for Imperial Augustus at one stroke to put an end to the potential danger of the great companies, as soon as he found them an obstacle to his policy, and thus to give the corrupt Republic a new 500 years' lease of life.[1] In modern times governments have been equally jealous of their prerogative as regards company concessions. And it was not until the

[1] " Il n'y a eu au fond, qu'une différence essentielle entre ces procédés anciens de la spéculation et notre temps, c'est la concentration à Rome, entre les mains de l'Etat, de toutes les grandes opérations industrielles et financières de l'univers ; tandis que nous pouvons, en principe, constituer où il nous plaît de grandes sociétés indépendantes. Cela put nuire à la marche de ces entreprises et favoriser les abus, mais c'est ce qui permit à l'Etat de les tranformer presque toutes d'un seul coup. C'est ainsi que la toute-puissance impériale put faire disparaître presque complètement, en un instant, les grandes compagnies, les actions, les financiers et les spéculateurs enrichis, lorsqu'elle les considéra comme des obstacles à son gouvernement." (Deloume, *op. cit.* p. 18.)

middle of the nineteenth century, with the culmination of the "industrial revolution" in England and the rise of the great railway corporations, that company law was relaxed and the flood of limited liability let loose.

In his history of the Roman financiers, Deloume calls attention to this modern evil of impersonal capital, and deplores the supineness of legislators in omitting the wise precautions of the ancients in guarding the State prerogative. Had not the great Roman Republic been so jealous of the rights of the *res publica*, not even Augustus could have mastered the financiers. "La force du courant eût emporté toutes les digues, comme cela aurait lieu aujourd'hui, si on voulait tenter un semblable retour en arrière, et proscrire l'action." [1]

The question of Investment, in its relation to Insurance, is touched upon in Hobson's work on the Industrial System. All Insurance companies, he says, combine with the function of insurance that of investment, and must be regarded not only as insurance instruments, but also as "general repositories of the people's savings." In most developed industrial countries these companies have become "main conduits of finance, dividing with the great joint-stock banks the function of directing the flow of available new capital into the different channels of productive employment." "But," he adds, "no government has yet felt strong enough to contemplate the nationalization of this great department of finance."

This was written in 1909 or 1910. Since then much water has run under London Bridge, and even

[1] Deloume, *op. cit.* p. 26; cf. also pp. 8 ff.

the City man can now talk of "nationalization" above a whisper. In Italy insurance will be a State monopoly from the year 1922, when the new law comes into full operation. In other countries complete or partial nationalization of this branch of finance is contemplated. In point of fact, the whole question of investment must inevitably be taken up very soon in countries economically more advanced, with a view to making way for the financial supremacy of the State in place of the private monopolization towards which present-day developments are pointing. And, as Mr. Hobson observes, "the future attitude of the modern state towards the new structure of finance, whose control over industry and politics is rapidly being concentrated in a few virtually non-competing groups, opens some of the most momentous issues of the new state-craft." [1]

In the foregoing, when treating of banking reform, we threw out some suggestions in favour of a Monopoly Bank, under State Ownership, but mutualistically and autonomously organized, and resting upon a network of local Credit Insurance Societies, collaborating with the central and local bank authorities. And as with banking, so also with insurance: the whole present system would presumably be nationalized, mutualized, or in some other way monopolized, if only in the fiscal interests of the State.

But, side by side with this State-monopolized Insurance system, could we not imagine some free, individualistic development of the principle of mutuality, with special application to the sphere of credit insurance, and working parallelly with and

[1] J. A. Hobson, *The Industrial System, an Inquiry into Earned and Unearned Income*, London, 1910, pp. 278-83.

independently of the above-named official or semi-official State-initiated credit-insurance associations? As a model and an example, with the prestige of tradition and success, we might perhaps take Lloyd's old established free association of underwriters, where each individual underwriter is free to carry on his own insurance business in his own way and at his own risk, without Lloyd's taking any responsibility for the operations of its members, beyond that moral confidence which membership implies and inspires and which has but seldom been abused during the 200 years of its existence. Lloyd's, as a corporation, keeps its members *au courant* with ships and shipping all the world over, while it leaves the insuring business to temporary combinations of its members, from case to case. The system seems to us a most practical and desirable amplification of the principle of instability contained in the Roman *jus fraternitatis*, by which, as already mentioned, the far-sighted jurisconsults of antiquity aimed at preventing the perpetuation of private associations surviving the individual—" the dead hand," with its juristic immortality so dangerous to the State!

Over and above this negative advantage, the institution in question would have the positive one of forming a most useful instrument in the service of speculative insurance. For in the speculative instinct, tamed and domesticated, and harnessed to the chariot of progress under the modern guise of credit-insurance, the solution to the labour question is surely to be found. Such forms of labour, we mean, which in the nature of things cannot be decentralized and integrated and bound to the soil. The speculative instinct is too deeply rooted in human nature,

too intimately associated with individual initiative, to be abolished by order, from above or from below. If suppressed in one direction it will find an outlet in another. It can be pro-social or anti-social. By nationalizing whole branches of economic activity the State seems intent upon suppressing certain forms of private initiative. But private initiative is a powerful motive force. In its own interests, therefore, the State should encourage this valuable force, in some new and pro-social form. And this might be attempted—experimentally at first—by the State taking up the Lloydian mantle of underwriting insurance. Lloyd's, as a corporation, restricts itself to keeping its members informed of the latest news of the shipping world; even so should the Insurance Organization of the State confine itself to keeping its members informed of the credit conditions of its world; with equitable charges, of course, for its organizing, controlling and licensing mission. And, after a time, besides the fiscal advantages of the system, the State might perhaps discover that out of this free credit-insurance idea, a living organism had grown up, more than compensating us for the declining energy of present industrial forms.

Individual enterprise, transplanted into the new sphere of Credit Insurance, with individual and personal responsibility and individual and personal economic guaranty for the co-operative working man's association or syndicate, might well initiate a new and synthetic form of production which it would be worth while for the State to take notice of, to encourage, and to organize. Such collaboration would really imply an appreciation and a recognition from the part of our *beati possidentes* of the natural

consanguinity of relationship between Mutualism and Syndicalism, and would constitute a new and interesting expansion of the principle of mutuality.

But the questions of Investment, Insurance and Company Legislation are too large and too special to be treated within the limits of the present essay.

As to the Monopolization of Credit *per se*, of Borrowing and Lending in itself, of individual Gage and Guaranty, the problem is altogether too vast a one to be taken up otherwise than lightly, with a grain of salt. At the present moment, at least, we would defer its serious discussion to the Coming Race.

CHAPTER IX

A PRACTICAL APPLICATION

REVERTING to the Land-Question, and in no way presuming to anticipate the judgment of the specialists, we would here only venture to call attention to certain historical facts which might be suggestive in organizing a suitable system of tenure for the model farms of our land-mutualization scheme. The theory of absolute property in land, the *dominium ex jure Quiritium* of Roman law, the *allod*, or freehold, of Northern Europe—the absolute right of use and abuse—has often led to more of the latter than of the former. *Per fas et nefas* the Roman freeholders were divorced from the land and compelled to crowd into the Eternal City, where they gave rise to the world's first "proletariat." We see the same process repeated again and again, wherever absolute property in land is recognized and the capitalist is allowed a free hand. The English "enclosures" are a drastic example. At the time of the Reformation, one of the peasants' principal demands, the appropriation of Church lands in their favour and the institution of permanent tenancies, was refused. Had they succeeded in their demands, fixity of tenure would have been secured, the enclosing of the land by the

great proprietors in the following centuries could not have taken place, and "the creation of a mass of destitute and landless people might have been avoided."[1] It was some such sort of permanent tenancy, a kind of relative or limited right of property, analogous to the usufructuary possession of Roman law (*possessio vel usufructus*, says Gaius), or the fief of feudal tenure, that Proudhon wished to introduce in the place of absolute property—at least in his earlier works, before the shadow of Louis Napoleon, looming dark, made him incline rather to a modified allodial tenure, as being less exposed to the caprices of an arbitrary Government.[2] A good example of this perpetual hereditary possession is to be seen in the far-off Faeroe Islands, where the descendants of the vikings at the time of the Reformation succeeded in obtaining from their Danish rulers the privilege that was denied to their English kinsmen. One half of the Church lands was converted into Ordinary Freehold, the other half into Regal Domain. This latter was held direct of the Crown, as "Kings' land" (*Kongsjord*), and the holders, the "King's peasants" (*Kongsboender*), were practically in hereditary possession. Their descendants have in fact lived on their farms from generation to generation with greater security of tenure, in practice, than the freeholders, being prevented by the terms of tenure from selling or mortgaging the land.[3] To speak only from first-hand experience, from what we have seen ourselves,

[1] Fordham, *op. cit.* p. 62.

[2] Aimé Berthod, *P. J. Proudhon et la Propriété*, Paris, 1910, pp. 33 ff.; p. 39.

[3] H. Garborg, *Rousseau og hans Tanker i Nutiden*, Kristiana og Kjöbenhavn 1909, p. 64.

many a Finnish peasant would be better off now, had he held his land by this limited property title, and not been tempted to abuse his right of free disposal by selling his precious streams and forests for a mere song.

If then, in our time, a Land Mutualization Board were to come into existence and we were cited before it, we would give it as our humble opinion that in establishing model farms for integrated labour a system of Crown Tenancy, made perpetual and hereditary on condition of the fulfilment of certain systematically worked out rules and regulations—akin to Wallace's scheme of "tenants in perpetuity," with "occupying ownership"—would be preferable to ordinary freehold.[1] In fact, as already pointed out, we would go further, and advocate the adoption of the Metayer system, of time-honoured tradition; thus developing the Mutualization principle into a regular partnership between the State and the Individual, where the State, through the Land Mutualization Board, would have both the right and the inducement to give good technical advice, and to enforce it.

The introduction of a Hereditary Metayer System of Crown Farms would have this further advantage that the experience gained by Government Officials and Specialists in a rational and popular distribution of foodstuffs would not be allowed to be dispersed when once we return to normal conditions, but would continue to be utilized and exercised in the distribution of that half of the Metayage produce, which in accordance with that system would fall to the part of the State; and thus, in the event of another war, the whole system of acquisition and apportionment

[1] Alfred Russel Wallace, *Land Nationalisation*, London 1912.

would not have to be re-created absolutely from the beginning. We should have preserved the *cadre*—the framework, the staff of experts—which it is not so easy to improvise at a moment's notice.

Indeed, if the Metayer Colonies suggested above were to come into operation, might it not be possible, we ask, in our synthetic programme so to organize them in combination with some local industry, that in case of need they could be transformed into small munition centres? In this way a magnificent nucleus of potential munition workers might be created, as a reserve for the regular operatives in the great national works and factories; and in consideration of their latent usefulness, the State might find it worth while to offer a premium for workers in these small centres of integrated labour and thus to attract the best and soundest elements among the industrial workers "back to the land."

Back to the land! In one short formula both diagnosis and cure. A simple nature-cure of national hygiene, slow, it may be, but sure; surer, certainly, than all the possible or impossible international councils that our new amphictyons can devise. Such sacred councils are apt to end in Sacred Wars, none the less deplorable for all their "sacred" sanction, and generally as ineffective as they are deplorable. But by preparing for war, while gradually removing one of its principal causes—international economic competition [1]—we shall have done more to promote

[1] Not only industrial, commercial and financial competition, but also that of labour, in its dynamic aspect. We allude to emigration, that modern form of "barbarian" invasion, with its irritating immigration and naturalisation ordinances, its alien labour restrictions, *Uitlander* pretensions, and unwritten law of race and colour, so fruitful of international discord.

international peace than will ever be accomplished by the artificial constructions of well-meaning idealists.

There is no royal road to an enduring peace, nor short cut to the Millennium—such is our regretful conviction. Yet we can prepare the way for our children and make the rough path smoother for them, replacing the restless Mercantilism of to-day by the self-contained dignity of to-morrow's Mutualized State, or mutualized Combination of Elective State-Affinities, resting upon integrated national labour and synthetic national production.

CHAPTER X

THE SYNTHESIS

To sum up: Mutualism, in its more limited sense, is a social-economic doctrine, based upon a due appreciation and balancing of the economical and the psychological factors of the social problem. Thus conceived, it claims to be the synthesis of the two seemingly contradictory principles of Capitalism and Socialism. A compromise, if you will. But a compromise which does not, after the manner of the ordinary compromise, sacrifice any essential element of the opposing principles.

Mutualism implies the eclipse of the present capitalistic system of economic competition, and the supplanting of the same by the mutualistic system of economic co-operation, collaboration and compensation between the State and the Individual, between the State and other states, between one nation and other nations. As applied to one single state, Mutualism, it is claimed, tends towards peace internally, by automatically putting an end to the chronic economic war which would seem to be the normal condition of individual humanity under the competitive system. As applied to many states, or to a congeries of states, Mutualism should have an equally peace-promoting tendency externally, outside the

State, in so far as it removes the international economic competition which under the present *régime* but too often finds its only solution in a declaration of war.

As with individuals, so also with nations—those friendships last longest where the money factor is absent, or is balanced by congruent interests.

While making this necessary concession to the socialistic ideal, in the removal of unhealthy competition, Mutualism does not, however, fall into the socialist error of doing away with private property and individual initiative. On the contrary, under the mutualistic system private property in its modified, pro-social shape will still form the basis of the social structure, and individual initiative, far from being discouraged, will, if anything, be increased in its quantitative national totality by the accession of social energy provoked by the integration of labour and the extension to the working-classes of the privilege of individual and hereditary possession of a portion of Mother Earth, a privilege at present denied to the great majority.

In thus eliminating the non-essential elements of either system, and fusing into one single higher entity the two most fundamental characteristics of Capitalism and Socialism, viz. the individual initiative on which the former rests, and the economic conciliation which lies latent as the first principle of the latter, in its original and loftier interpretation, Mutualism opens to the peoples the prospect of a new era of peace and progress, in healthy national and international competition in the non-contentious spheres of spiritual culture, in science and philosophy, in literature and art.

In this rough sketch of a conceivable national

development upon mutualistic lines, in practice founded on a more or less thorough-going Mutualization of Land and Labour, of Credit and Finance, we have made a point of expressing ourselves as far as possible in general terms, so that our reasoning may be applicable to any country or state, or combination of states, in which public opinion should happen to be ripe for a sober discussion of the Mutualization question, *sine ira et studio*. The Mutualist State, as here foreshadowed, is based upon a patriotic and national theory of the State as sovereign and self-contained—the " higher " patriotism of the Fichtean philosophy. But, as has already been observed, this should by no means preclude the extension of the mutualistic principle beyond the borders of the individual State, in its inter-state relations. Rather is it our contention that Mutualism, primarily national and conceived as affecting in the first place the internal concerns of the State, will nevertheless have a generous tendency to expand and gradually to embrace more and more nations having a certain natural and cultural affinity, and to become more and more international, or " supra-national " ; just as, broadly speaking, has been the case with science and civilised ethics since the days of the Decalogue, in spite of certain normally or abnormally recurrent war-phenomena. Nay, apart from Supernatural Ethics, which are nowadays generally admitted to be a matter of personal conscience, we do not see why some system of " supra-natural " international Ethics, applicable, perchance, to the coming " super-man," and based upon some new, scientifically worked out mutualistic theory of Cosmic Ethics, should not in time become an ideal to be striven for.

But the day of Cosmic Ethics is not yet, and in the fulfilling of this our futuristic venture we shall do well to steer as close as possible to the *terra firma* of actuality. Our subject was the principle of Mutualism, as applied to the social-economic problems of the near future, and to that theme we must here restrict ourselves ; not, however, without once more affirming our unfailing belief in what to most of us must at the present moment seem a mere Utopian phantasy. But when a new and wiser generation shall have made the impossible possible ; when man has mastered the machine, and is its slave no longer ; when labour is integrated, and strikers have ceased from troubling ; when capital does not run to waste in the sands of industrial selfishness, and synthetic production has increased the fruits of the earth beyond the dreams of the most daring ; when Patriotism is the national virtue, and a Mutualist State offers to every citizen an equal chance of membership in the natural Aristocracy of Man, in just proportion to his talents and attainments ; when these things are, we may with confidence confront the future, in all its finite and in-finite possibilities.

APPENDICES

A. THE REPORT OF THE TREASURY COMMITTEE ON BANK AMALGAMATIONS

On March 11th, 1918, by a Treasury Minute, a Committee was appointed "To consider and report to what extent, if at all, amalgamations between banks may affect prejudicially the interests of the industrial and mercantile community, and whether it is desirable that legislation should be introduced to prohibit such amalgamations or to provide safeguards under which they might continue to be permitted."

The members of the Committee were :

Lord Colwyn, the Chairman ; Lord Cunliffe, G.B.E. ; Hon. Rupert Beckett, Hon. Herbert Gibbs, Sir Arthur Haworth, Bt. ; Sir Richard V. Vassar-Smith, Bt. ; Sir John Purcell, K.C.B. ; Capt. H. Keswick, M.P. ; Mr. E. Manville, Mr. H. McGowan, Mr. John Rae and Mr. Douglas Vickers.

On the subject of the Nationalization of the Banking Trade, as an alternative to a possible Money Trust, the Report says :

"*The danger of Monopoly.*—It has been represented to us that there is a real danger lest one bank, by the gradual extension of its connections, may obtain such a position that it can attract an altogether preponderant amount of banking business : or, alternatively, lest two banks may

approach such a position independently and then achieve it by amalgamation.

"Any approach to a banking combine or Money Trust, by this or any other means, would undoubtedly cause great apprehension to all classes of the community and give rise to a demand for nationalizing the banking trade. Such a combine would mean that the financial safety of the country, and the interest of individual depositors and traders, would be placed in the hands of a few individuals who would naturally operate mainly in the interests of the shareholders. Moreover, the position of the Bank of England—which would, it may be assumed, stand outside any such Trust—would be seriously undermined by so overwhelming a combination, and the Bank might find it extremely difficult to carry out its very important duties, as supporter and regulator of the Money Market. Any such result would, in our opinion, be a grave menace to the public interest.

"Further, it has been represented to us that the Government of the day might not find it easy to adopt a course of which the combine, for its own reasons, disapproved.

"While we believe that there is at present no idea of a Money Trust, it appears to us not altogether impossible that circumstances might produce something approaching to it at a comparatively early date. Experience shows that, in order to preserve an approximate equality of resources and of competitive power, the larger English banks consider it necessary to meet each important amalgamation, sooner or later, by another. If, therefore, the argument from size, referred to in paragraph 6*b* before mentioned is to prevail, it can only lead, and fairly rapidly, to the creation of a very few preponderant combinations; and if these combinations amalgamated, or entered into a joint agreement as to rates and policy, etc., the Money Trust would immediately spring to birth.

"We therefore recommend that legislation be passed requiring that the prior approval of the Government must be obtained before any amalgamations are announced or carried into effect. And, in order that such legislation may not merely have the effect of producing hidden amalgamations instead, we recommend that all proposals for interlocking directorates, or for agreements which in effect would alter the status of a bank as regards its separate entity and control, or for purchase by one bank of the shares of another bank, be also submitted for the prior approval of the Government before they are carried out." (Quoted from *The Bankers' Magazine*, July 1918, pp. 46 ff.)

Commenting on this Report, the *Athenæum* writes (August number, 1918):

"The Committee on Banking Amalgamations was not a very courageous body, and its Report has done nothing to prevent new amalgamations. The Committee was afraid of a 'money trust,' but equally afraid of making any proposals to deal with the problem. Within the last nine or ten months eleven joint-stock banks have, through amalgamation, been converted into five. Immediately prior to the appointment of the Committee of Inquiry the National Provincial Bank and the Union of London and Smith's Bank were merged, and an amalgamation negotiated between Parr's and the London County and Westminster Bank. More recently a fusion took place between Barclay's Bank and the London Provincial and South-Western, the latter the result of an amalgamation at the end of last year. Then, also, the London City and Midland and the London Joint-Stock Bank have united. Now the announcement is made that the Treasury has sanctioned arrangements for the amalgamation of Lloyd's and the Capital and Counties Bank, and for 'a union of

interests' with the National Bank of Scotland and the London and River Plate Bank. The 'money trust,' for good or evil, is rapidly approaching realization. It is useless to attempt to avert its coming. One of two things remains to be done. The banking monopoly must either be subject to State regulation or be put under State ownership."

B. FRENCH METAYAGE LEASE.

LEASE 1881.

LEASE by M. DESVAUX to the husband and wife LEBLOND-LEROY in MOIETY. 17 October 1881.

French Republic. In the Name of the French People.

Before Maître JUIGNET, the undersigned Notary at his office at Mondoubleau, chief town of the canton (Loire et Cher),

has appeared

M. ANTOINE-GUSTAVE DESVAUX, owner, residing at the town of Mondoubleau.

The said owner has by these presents demised and let to farm at half profits for four, eight or eleven entire consecutive years commencing on the first day of November one thousand eight hundred and eighty-two, with respective power to the lessor and to the lessees hereinafter named to determine the present lease on the first day of November one thousand eight hundred and eighty-six, or on the first day of November one thousand eight hundred and ninety. Provided that one of the parties hereto who may wish to exercise this power shall give to the other one year's notice in advance.

Unto Mister RENÉ-FRANÇOIS LEBLOND, farmer, and Mistress AGLAÉE-IRÉNÉE LEROY his wife with his authority

residing together at the farm of the Wood of the Assizes in the Commune of Choue, as lessees severally bound by these presents which they accept.

Parcels.

The farm of the great Paillardière, situate in the Commune of the Temple, comprising buildings for dwelling in and for the purposes of husbandry, water-courses, gardens, pastures, and arable and meadow lands, the whole containing in all about forty-eight hectares, sixty-two ares, and eighty-two centiares.

Moreover, just as these lands extend, continue and are situate, without any exception or reservation other than that hereinafter mentioned, but also without a guarantee of the areas stated, the excess or deficiency in which shall stand to the profit or to the loss of the lessees even though the difference in such excess or deficiency shall exceed one twentieth part.

Reservation.

M. Desvaux expressly reserves for his own profit the coppices growing on the said farm which are excluded from the present demise.

Conditions.

The present lease is agreed to and accepted subject to the following obligations, clauses and conditions which the lessees jointly and severally bind themselves to execute :

(1) To occupy the said farm (which they hereby declare that they know thoroughly from having seen and examined it) as good tenants and in a trustworthy manner of farming without committing or suffering to be committed thereon any abuse, malpractice or encroachment ; and they shall give to the owner notice of any such as may have been

committed in the current month under penalty of being personally liable therefor.

(2) To cause the demised buildings to be inhabited by themselves and their family, and to supply and continually keep supplied the same with furniture, cattle, effects and agricultural implements in quantity sufficient to ensure the complete execution of these presents.

(3) To collect and put in a dry place the tiles and shingles which may fall from the roofs.

(4) To afford access to all materials which may be necessary for great and small repairs, restorations and additions which the lessor may wish to make of and to the buildings leased, and to give rations and drink to the workmen who may be employed on these works according to custom.

(5) To permit the farmer who shall succeed them to come to sow clover at the last March season.

(6) To keep the meadows in good condition for mowing by levelling hillocks and molehills, and to cut channels therein for watering them, and to clean out each year the trenches necessary for their irrigation and drainage.

(7) To fetch and spread over the ground the marl or the lime which the lessor may wish to have spread over the said farm.

(8) Not to have the right of cutting or felling any wood at the foot or the branches, dry or dead, except the shoots which they shall prune at a suitable time and growth for making and bending into the hedges according to custom ; for this purpose the lessees must give notice to the lessor of the time for making the hedges in order that he may mark the trees which he shall judge to be suitable for leaving to grow.

(9) To bring to the residence of the lessor at Mondoubleau all the wood, whether dead or otherwise, which

the said lessor may cause to be felled on the farm hereby demised.

(10) To till, manure and sow the arable lands at four ordinary and so far as possible equal seasons, without having any right to set back the boundary furrows, or to change or double the seasons without the lessor's permission.

(11) Grain and seed shall be supplied in moieties by the lessor and the lessees.

(12) All the grain harvested shall be shared in moieties when the lessees shall have got it in, threshed it, and put it into a fit condition for sale. They shall bring the lessor's share into his granaries at Mondoubleau.

(13) The lessees shall, on quitting the farm hereby leased, be bound to leave the arable land well sown with large grain, which at the time of its maturity they shall come to reap, thresh and clean on the spot, and of which they shall have one moiety, and the other moiety shall belong to the lessor.

(14) The lessees shall not have the right to sell or take away from the farm hereby leased any hay, straw, fodder or manure ; but on the contrary they shall cause them all to be expended and consumed there on the spot for the improvement of the land before the last year of their tenancy, and shall leave them there all well bound together and heaped up, more especially two thirds of the hay, according to custom.

(15) The cider shall be shared in moieties between the lessor and the lessees, and the share falling to the lessor shall be brought to his house at Mondoubleau by the lessees.

(16) The fruit which is commonly cut with a knife shall also be shared in moieties between the lessor and the lessees, and the share falling to the lessor shall be brought to his house at Mondoubleau by the lessees.

(17) The lessees shall have no right to do any tilling or carting for another person.

(18) All the beasts shall be provided in moieties. The offspring of the beasts shall also be shared in moieties. Loss shall also be borne in moieties, and after a sale the price of the said beasts shall be shared between the lessor and the lessees.

(19) The lessees shall carry by cart all the earth from the ends of the fields which the lessor shall have had dug up with a pickaxe when it could not be dug with a spade. This when carried by wheel-barrow shall be carried at their common cost.

(20) The lessees shall pay yearly, from the first day of January after their entry into possession until the first day of January after their giving up possession, all the land taxes imposed and to be imposed, door, window and other taxes, whether principal or accessory, and the local and departmental charges, the rates for the neighbouring roads whether leviable in money or in kind, in short all the rates and taxes which are or shall be imposed during the currency of the present lease under whatsoever name, except the coppice rates which remain at the charge of the lessor.

(21) In case a purchase shall be made of manure, hay or straw, the lessees shall be bound to do the cartage, but they shall pay only one third part thereof.

(22) The lessees shall not be entitled to have too great a number of fowls the feeding of which would do harm to the crops and to the feeding of the other animals.

(23) They shall keep the fruit trees, which shall be planted at the lessor's expense, supplied with stakes and thorns to preserve them from all damage; they shall graft on them good fruit when they shall be strong enough, and shall take similar care of those already existing, and shall dig all of them at the foot at least once every year.

(24) The clover seed shall be harvested and threshed at the common cost and shared in moieties.

(25) The lessees shall not be entitled to dispose of their rights in the present lease in whole or in part without the express consent in writing of M. Desvaux.

(26) In the event of either of the lessees happening to die during the currency of the present lease, the lessor and the survivor shall have the right to cancel it, should it seem good to them, on giving the other at least six months' notice in advance.

Dues.

The lessees shall deliver yearly to the lessor by way of dues at the will of the lessor :

(1) Fifteen kilogrammes of fresh butter ;
(2) Twelve good fat chickens ;
(3) Two fat geese and two turkey-cocks.

These dues shall be delivered at the lessor's residence at Mondoubleau.

Valuation for Registration.

As a basis for the collection of the registration taxes the parties declare :

(1) That the portion to come back annually to the lessor in the property let is :

I. Forty-four hectolitres of wheat ;
II. Twenty hectolitres of a mixture of rye and wheat;
III. And two hectolitres of rye.

(2) That the portion to come back annually to the lessor in cider and fruit commonly cut with a knife is valued at the sum of forty francs.

(3) That the portion to come back annually to the same in the increase and offspring of the beasts is valued at five hundred francs.

(4) That the charges and dues above imposed are valued at the sum of sixty-four francs.

(5) And that the rates and taxes to be borne by the lessees amount according to the detailed account to the sum of one hundred and four francs and forty-two centimes.

NOTE.—The English word "coppice" means strictly "a wood of small growth for cutting," and therefore is the exact equivalent of the French "bois taillis," which occurs in the Reservation on p. 92, and in Condition (20) on page 95.

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